IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA
Civil Action No. 99-CV-02496 (GK)

UNITED STATES OF AMERICA,

Plaintiff,

vs.

PHILIP MORRIS, INCORPORATED, et al.,

Defendants.

DEPOSITION OF DIANE STEWART BURROWS
VOLUME II
(PAGES 70 THROUGH 162)

The deposition of DIANE STEWART BURROWS was taken by the Plaintiff for the purpose of discovery and for use as evidence in the above-entitled cause before PAGE CHAMPION ROBERTS, CVR-CM, Certified Verbatim Reporter and a Notary Public for the county of Guilford and the state of North Carolina at large, in the offices Kilpatrick Stockton, LLP, 1001 West Fourth Street, Winston-Salem, North Carolina, on the 28th day of June 2001, beginning at 11:58 a.m.

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APPEARANCES

FOR THE PLAINTIFF:

James P. Ellison, Esq.
U.S. Department of Justice
Post Office Box 14524
Ben Franklin Station
Washington, D.C. 20044

FOR THE DEFENDANT R. J. REYNOLDS TOBACCO COMPANY:

Jones, Day, Reavis & Pogue, by
Geoffrey K. Beach, Esq.
51 Louisiana Avenue N.W.
Washington, D.C. 20001-2113

FOR THE DEPONENT:

Kilpatrick Stockton, LLP, by
Mark A. Stafford, Esq.
1001 West Fourth Street
Winston-Salem, North Carolina 27101

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STIPULATIONS

(1) It is stipulated and agreed to between all parties that the deposition is being conducted pursuant to the Federal Rules of Civil Procedure and the North Carolina Rules of Civil Procedure.

(2) The deposition is being conducted pursuant to subpoena.

(3) It is further stipulated that the reading and signing of the deposition are not waived.

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Thereupon, the deposition continues as follows:

DIANE STEWART BURROWS

a witness called pursuant to subpoena, having been previously duly sworn, was further examined and continued her testimony on her oath as follows:

EXAMINATION BY MR. BEACH

Q. Good morning, Ms. Burrows. My name is Geoff Beach, and I believe, as you know, I'm here representing R. J. Reynolds Tobacco Company. I'm going to ask some questions today following up on questions that have been asked of you by plaintiff's counsel, and the same basic ground rules that he articulated to you yesterday should apply today as well, and most importantly, if you don't understand a question that I ask you, please ask me to explain it and I will try to do so. Will you do that?

A. Yes, I will.

Q. If at any - sometimes in the give and take of questions, a natural pause in one of your answers I might construe to be the end of an answer. If I mistakenly construe a pause in one of your answers to be the end of an answer and you have more that you wish to say, will you please interrupt me and let me know?

A. Yes.

Q. And you understand that your testimony today is given under oath just as if you were testifying live in

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front of a jury, correct?

A. Yes, I do.

Q. You do not work for Reynolds at that time, is this correct? You do not work for Reynolds at this time, is that correct?

A. I'm a retiree from Reynolds.

Q. And you retired in 1993, is that correct?

A. I left active employment in 1993. There was some kind of inactive status, so I think that gets to the point of your question. I don't know what the official retirement date was. 1994 perhaps.

Q. And you worked for Reynolds for just about fifteen years, I believe, is that correct?

A. Approximately.

Q. From 1979 through 1993 or 1994, correct?

A. Yes.

Q. Are you being paid for testifying in this matter today, ma'am?

A. No, not that I know of.

Q. Other - other than receiving a standard witness fee, you're not being paid by Reynolds or anyone else, for that matter, is that correct?

A. I haven't received anything from anyone.

Q. You're here because it's your duty to respond to a subpoena seeking your testimony, is that fair?

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A. That's fair.

Q. And you were subpoenaed by the Government in this case, is that correct?

A. I presume so, yes.

Q. Now to your knowledge, Ms. Burrows, during the course of your employment at Reynolds, what was the company's policy regarding marketing to persons under the age of eighteen?

A. Don't do it.

Q. Is there any doubt about that at all in your mind, ma'am?

A. No.

Q. Was that policy clear in your mind the entire time you were employed by the company?

A. It certainly was from shortly after I was employed. I don't know about day one.

Q. And was that policy reinforced by the company, in your experience, from time to time?

A. Yes.

Q. And were there exceptions to that policy, to your knowledge?

A. Not that I ever heard of.

Q. And did you adhere to that policy during your fifteen years or so with the company, from 1979 to 1993 or '94?

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A. Yes, I did.

Q. Were you ever asked to do something by anyone that you believed to be inconsistent with that policy?

A. No.

Q. Did the people that you worked with at Reynolds, to your knowledge, also adhere to that policy?

A. Yes.

Q. And over the course of your approximately fifteen years at Reynolds, can you - is it possible for you to estimate how many meetings with other company employees you may have attended?

A. How many meetings with other company employees?

Q. Is it fair to say that it would - it would count in the hundreds, if not thousands?

A. Yes, that's very fair.

Q. And during the period that you were employed at Reynolds from 1979 to 1993 or 1994, did you ever attend a meeting with other Reynolds employees in which the subject of how to market to persons under the age of eighteen was ever discussed?

A. No, I did not.

Q. To your knowledge, during the course of your employment at Reynolds, what was the company's policy regarding marketing to nonsmokers of any age?

A. As I believe I said yesterday, it would just be

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foolish to market to nonsmokers, so in my mind, I'm not clear about an official policy. I know there was never any effort to market to nonsmokers. The word "policy" gives me some difficulty.

Q. Right. Actually, let me, if I could, ma'am, ask you to look to a copy of what was marked yesterday as Burrows Exhibit Number 12, which I believe is a memorandum you wrote entitled "Younger Adult Smoker Strategies and Opportunities," dated February 29th, 1984.

A. Sure.

Q. And if I could, ma'am, ask you to turn to the introduction to your memo, which is on a page with the last four numbers of the Bates number being 8469, I believe. Let me---

MR. STAFFORD: Can you tell us the actual typed page number on the original document?

MR. BEACH: I don't believe there is one.

MR. STAFFORD: Because we don't have a Bates---

THE WITNESS: So it's up early?

MR. BEACH: Yes, ma'am, right after the management summary.

Q. And can I ask you to read---

MR. STAFFORD: Let me make sure the record is clear. You're on a document the last four digits of which are 1523.

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THE WITNESS: There are several numbers on this page.

MR. STAFFORD: I understand. Thank you.

Q. Okay. You're on a page bearing the heading "Younger Adult Smokers: Strategies and Opportunities," and under that is the word "Introduction," is that right?

A. Yes.

Q. And could you please read the first sentence of the introduction to your memo into the record.

A. Yes, I could. "RJR's consistent policy is that smoking is a matter of free, informed adult choice, which the company does not seek to influence."

Q. Is there any doubt in your mind at all, Ms. Burrows, that that was in fact the company's policy?

A. No. As I said, that was the practice I knew. I see here that I must have confirmed it as a policy.

Q. And did you adhere to that policy during your approximately fifteen years with the company?

A. Yes, I did.

MR. ELLISON: Objection. Mischaracterizes her testimony. She said there wasn't a policy.

MR. BEACH: I think the record with respect to her testimony will speak for itself.

Q. Let me - I didn't quite finish my---

A. I - I intended to--- May I, as a follow-up, or

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whatever you call it?

MR. STAFFORD: Please. Why don't you explain.

A. Right. Initially, I could not be certain under oath that there was an official policy. I knew the practice and the intent, but the word "policy" was throwing me. When you show me this document, I would not have written it was a policy unless I had confirmed that that was an official policy, so the first sentence tells me that it was a policy as such.

Q. Let me go back to the question that I asked you, then, just a minute ago. Ma'am, did you adhere to that policy during your fifteen years with the company, from 1979 to approximately 1993 or 1994?

A. Yes, I did.

Q. Were you ever asked to do something by anyone that you believed to be inconsistent with that policy, Ms. Burrows?

A. No.

Q. Is that true the entire time you were with Reynolds?

A. The entire time.

Q. Did the people you worked with at Reynolds, to your knowledge, adhere to that policy?

A. Everyone I saw did.

Q. Is that true the entire time you were with

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Reynolds, from 1979 to 1993 or '94?

A. Yes.

Q. During the period that you were employed at Reynolds from 1979 to 1993 or 1994, did you ever attend a meeting with other Reynolds employees in which the subject of how to market to nonsmokers was discussed, to your recollection?

A. Never.

Q. Let's go back, if we can, to 1979 for a few minutes, ma'am, when you joined the company. What is your educational background?

A. I have a bachelor's in mathematics.

Q. And when you joined the company in 1979, did you have any advanced educational degree in marketing?

A. No. I had never had a marketing course.

Q. You don't have an MBA, in other words?

A. No.

Q. And what was your---?

A. I had completed two years of library school, for which I never finally got the degree.

Q. But no - no business school training, is that right?

A. Correct.

Q. And your first job with the company in 1979 was in the library?

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A. That's correct.

Q. And do you recall approximately how long you worked in the library, ma'am?

A. Something on the order of a year and a half.

Q. Now during your time working in the library, did you become aware of an organization known as National Family Opinion?

A. Yes, I did.

Q. Sometimes referred to as NFO for short, is that right?

A. Yes.

Q. And to your knowledge, was NFO a subsidiary or a part of R. J. Reynolds?

A. They were an outside supplier.

Q. Now are you aware that NFO produced certain reports tracking demographic and other information on smokers for Reynolds for at least a period of time?

A. I know books of data came in from NFO to the library.

Q. Well, you actually anticipated my next question. Who, at least physically, received those reports in the first instance?

A. They would be delivered to the library by the mail service or somebody like that, and it was my job ultimately to receive the materials in the library sense and handle

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their use in the collection.

Q. And what did you do with these reports from NFO after you received them in the library?

A. Some of them were labeled in library fashion and put on the shelves for anyone who had access to the library to use freely. Others were boxed up and sent out of the library because they were not to be accessible.

Q. And which reports were those that you're referring to that were not to be accessible, ma'am, if you recall?

A. They had tab books that were labeled "Fourteen to Seventeen Age."

Q. Now returning back to the other books that would be for adult smokers eighteen and older, do you know what use, if any, those reports were - what those reports were used for or who accessed them, if you recall?

A. At that point in time, I really probably didn't know what they were doing with them.

Q. Do you know what use, if any, the reports on the younger-age persons, the segregated data, were used for?

A. At that time I was not aware that they were used. My job was to get them out of the library, and they were shipped off, and at this stage of the game, I couldn't have told you whether I believe they were destroyed or sent to a warehouse storage, but they were not accessible through normal library means.

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Q. Let me ask you if you recognize some or all of the following names, Ms. Burrows: John Hribrar?

A. Hribrar.

Q. Hribrar.

A. Yes, I recognize that name.

Q. Jean Sherrill?

A. I don't really recognize that one.

Q. Uzy Friedman?

A. Yes.

Q. Stephen Perry?

A. Yes.

Q. Joan Stewart?

A. Yes, I recognize the name.

Q. Kay Duffy?

A. Yes.

Q. Jerry Moore?

A. Yes.

Q. Nick Glover?

A. I think that's Glover. I heard the name, yes.

Q. Phil Galyan?

A. Yes.

Q. Jeannie Marshall?

A. Yes.

Q. Now were these folks involved in forecasting work at Reynolds during the 1970s, to your knowledge, ma'am?

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A. Mr. Beach, it's difficult for me to speak to the 1970s since I only joined the company in December of 1979.

Q. Well, true. I'm sorry. Let me - let me rephrase it, then. In the early period of time that you were with the company, 1979 and early 1980s, to your knowledge, were some or all of these folks involved in - the ones that you are aware of, involved in forecasting work at Reynolds?

A. In, let's say, 1980, roughly?

Q. Sure.

A. Several of the names I know to have been in the group that did forecasting.

Q. And what was the purpose of forecasting future demand at Reynolds? What were these people trying to do, ma'am?

A. Again, at that point I probably wouldn't have had a clue, but since I have been in that group later in my experience, forecasting is trying to anticipate the future in terms of business needs and business outcomes.

Q. For example, to estimate what future consumption of cigarettes might be; is that an example?

A. Yes, that would be an example.

Q. And why would that kind of information be important to a manufacturer like Reynolds?

A. A great many reasons, for example, planning plant space. Tobacco, my understanding is, had to be purchased

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two years ahead of manufacture and held to ripen, if you will, for that period of time, so you didn't want to buy too much tobacco or too little tobacco to meet the sales and manufacturing requirements at least two years in advance. Other things might go ten years if you're talking about building a tobacco plant or not. For communication to financial analysts. There's a long litany of reasons.

Q. Perhaps analogous like forecasting future car sales might be important to a company like Ford or GM?

A. That's right. Or like forecasting tax revenues might influence a tax cut.

Q. Now - and we'll actually turn to that in just a minute, if we can. Later, in the very early '80s, you left your position in the library. What kind of work did you do next, ma'am?

A. I did forecasting and analysis on smoking and chewing tobaccos.

Q. Much as we were just discussing?

A. Right.

Q. So for the purpose of helping the company to predict future demand and thereby plan for leaf purchasing, plant capacity requirements, employment requirements, things of that nature, is that a fair summary?

A. And brand sales, how much Prince Albert.

Q. And so is it fair to say that various assignments

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after you left the library, when you were working in marketing research, related to forecasting the demand for cigarettes generally?

A. I spent roughly half of my years in areas that were related to forecasting and sales analysis, which links into forecasting.

Q. You personally worked with some of the - some of the names of people that I think I just mentioned, such as Jerry Moore and Phil Galyan and others---

A. Yes, I did.

Q. ---in that forecasting work, is that right?

A. Yes.

Q. And did you or any of those people that you were working with in forecasting view your work as a means of trying to figure out how to market to persons under the age of eighteen?

A. No.

Q. Was that a subject that you recall even ever being discussed, ma'am?

A. Well, if - I can't say how they viewed something, but I never heard of it that way, and, no, it was never discussed.

Q. You just certainly don't recall them ever viewing - expressing to you that they viewed it that way?

A. Right.

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Q. Now the specific department that you were in, in marketing research, was there a different division of the marketing department that would be what I'll refer to as brand marketing at that time, in other words, the folks that would be involved in the---?

A. Yes, there was a separate unit that did brand management or marketing in the line management sense. The market research, however the organization was structured at the time, was a staff function to advise.

Q. Okay. But, for example, it would be those other people who would be involved in developing ideas for actual ads that would then end up out in the world wherever they might end up for various---

A. Yes, that was---

Q. ---Reynolds brands, correct?

A. Right. That would have been their responsibility.

Q. That was not something that you and your group were involved in at that time, is that correct?

A. At various times I may have had ideas that I shared with someone, but it was not my duty to develop advertising or brand positionings.

Q. And how long did you - you previously indicated, I believe, in response to one of my questions, that you were involved in this sort of marketing research or forecasting function for about half of your years at the company.

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A. Uh-huh.

Q. When did you - was there a point in time when you shifted over to a brand marketing-type function with specific responsibilities?

A. Yes, there was.

Q. And when was that, ma'am, approximately?

A. I think it may have been 1989, but it could be - could have been '90, somewhere in there.

Q. Now well before that, back in the early 1980s, did you personally work on attempting to develop or improve a forecasting model for Reynolds?

A. Yes.

Q. And why were you asked to do that, ma'am, if you recall?

A. I was asked to develop or improve it because it didn't work, and other people had worked with the outside supplier who had been hired to develop the model, and they were unsatisfied with the results, and my direction was to either make it work or tell the people who needed to know, and the guys would get fired.

Q. Now did the work that you personally did on developing this forecasting model for Reynolds in the early 1980s have any relationship to brand marketing ads, things like that?

A. No.

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MR. BEACH: I'll go ahead and ask to have an exhibit marked, if I can. I believe it would be Exhibit Number 14.

(Thereupon, Deposition Exhibit Number 14 Burrows is marked for identification.)

Q. Ma'am, the court reporter has handed you what has been marked as Burrows Deposition Exhibit Number 14, and I believe it is a letter from you to a gentleman named Mike Henkel with a company known as Data Resources, Inc. The letter is dated June 17th, 1982. Do you see that?

A. Yes.

Q. What were you working on with Mr. Henkel at this time?

A. What was called the DRI model, the forecasting model for cigarette consumption, long-term cigarette consumption.

Q. And if I understand what you are trying to accomplish - and correct me if I'm wrong - you were trying to develop a model that could account for various factors in the outside world that might influence total cigarette consumption; is that roughly accurate?

A. Well, yes, that's roughly accurate.

Q. For example, price?

A. Yes.

Q. You would - one factor that this model would try

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to account for is if the price of cigarettes changes from X to Y, it may, in conjunction with other factors, have some resulting ultimate effect on cigarette sales, is that right?

A. Actually, that was a very pivotal point of the model, was to supposedly give a good estimate of price elasticity for cigarettes.

Q. Now is one of the factors that you considered, at least at one point in time in determining consumption levels, cigarette advertising? Do you recall that?

A. I recall attempting to use cigarette ad spending, meaning spending by persons in the industry. Also, I don't know if you'd call it advertising exactly, but we attempted to develop a measurement over time of antismoking publicity, which might have included advertising.

Q. Now did you in fact consider---? Well, let me strike that and start over again.

Can you tell the members of the jury about your analysis of the effect of cigarette advertising on cigarette consumption levels.

A. We could not find a correlation or predictive value to the amount of cigarette advertising in terms of how many cigarettes were consumed.

Q. And did the final model that you developed, the final forecasting model that you developed to estimate future cigarette consumption based on a variety of factors,

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including the price, include as one of its factors cigarette advertising?

A. No, it did not.

Q. Before leaving the subject of the forecasting work that you were doing at Reynolds, ma'am, in the early 1980s, let me return, if I can, to one of the exhibits you were shown by plaintiff's counsel yesterday. I believe you have it in front of you, and in particular, I'm referring to your first exhibit in the deposition.

A. A memo to Dick Nordine?

Q. Correct, entitled "Incidence of Smoking Among Young Adults/College Students."

A. Yes.

Q. And it's dated August 20th, 1980, is that right?

A. Yes.

Q. Now you were asked about a statement in the second paragraph of this memo, and I'll read the whole sentence, which includes the statement that you were asked about: Tables showing rate of consumption and tar level of brands smoked for this age group are appended [paren] (C1 and C2) [closed paren] to further assist in the marketing decision at hand." I believe you testified yesterday you don't know what that decision - what that marketing decision at hand was, is that correct?

A. That's correct.

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Q. Do you even know that there was a marketing decision at hand, ma'am, or was that an assumption that you were making?

MR. ELLISON: Objection. Compound.

Q. Do you understand my question, ma'am?

A. Yes, I understand your question. I'm trying to - I probably had some idea that it was to be used for a marketing decision. Whether I assumed that or someone said they needed it by tomorrow so they can make a decision or something, I don't really know at this point in time. It would be out of character for me to complete a sentence like that, but I've certainly had mistaken perceptions from time to time in my life.

Q. As have we all, Ms. Burrows. Let me ask it a slightly different way, then, perhaps. Do you have any knowledge, as you sit here today, that the information that was requested by Mr. Nordine was for the purposes of marketing to young adults and college students?

A. I don't have any information that it was for that purpose or another. He asked me the question. I was librarian. I provided the information.

Q. Are you aware of the information that you summarized in this memorandum being used for any marketing decisions whatsoever?

A. No, I'm not.

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Q. And to be clear, Mr. Nordine was not in charge of brand marketing for any Reynolds brand at the time that this memo was written, isn't that correct?

A. No, nor at any time.

Q. So he - just to be clear here, he was not in charge of brand marketing at the time that you wrote this memo to him?

A. That's correct, he was not involved in it, to my knowledge.

Q. At any point in time that you were employed at Reynolds, correct?

A. He never had a marketing role.

Q. Now, indeed, is that - is this kind of information - the percentage of different age groups that smoke, the kind of information from which a brand marketing campaign could be developed in and of itself?

A. A campaign, no.

Q. And what was the source of the data that you were reporting on in this memo, ma'am, or sources?

A. I will hope - yes, I put footnotes 1 through 5 indicating the sources of the data. The---

Q. And those sources include the United States Department of Health, Education, and Welfare, National Institute of Education?

A. Yes. That is actually - 1 and 4 are both that,

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and that is from a document on teenage smoking that they published.

Q. And - I'm sorry - another source is the United States Department of Commerce, is that right?

A. Yes.

Q. And then another source is a survey published by Time Magazine, is that right?

A. Right. Four of the five sources are government sources, and the fifth is a magazine.

Q. So the sources of the information - this isn't information that Reynolds developed. This is simply information that was publicly available and had been generated by the United States Government, is that right, for four out of your five footnotes?

A. Yes, primarily generated by the government, not by Reynolds.

Q. Yesterday you were also asked questions about one of your projects in the research department relating to the federal excise tax on cigarettes. Do you recall generally being asked questions about that yesterday, Ms. Burrows?

A. I'll take your word for it.

Q. Fair enough. What is the federal excise tax on cigarettes, Ms. Burrows?

MR. STAFFORD: Are you asking what the amount is?

MR. BEACH: No. I'm just asking what is an excise

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tax or what is the federal excise tax.

A. It's just a tax the federal government puts on cigarettes. When they leave the manufacturer, a tax has to be paid, which the amount of it has risen over the years, and I couldn't tell you how much it is right now.

Q. How long, if you know, has there been this special tax imposed on cigarettes by the federal government?

MR. ELLISON: I'm going to object to the question as argumentative.

A. A date pops to mind, but I couldn't tell you why. A long time is the answer.

Q. Okay. Well, it's certainly true that the entire time you were employed by Reynolds, to your knowledge, the federal government imposed an excise tax on cigarettes?

A. Yes, and for many years before that. I just don't know how many.

Q. And do you know who determines the level of the excise tax imposed by the federal government, Ms. Burrows?

A. I believe the Congress does.

Q. Now you did work on the federal excise tax, I believe, in the 1982 time frame. Does that sound correct, ma'am?

A. Yes, it does.

Q. And if I recall your testimony correctly, in 1983 the government doubled that tax. Do you recall that

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generally, ma'am?

A. What pops out of my memory is eight-cent increase on January 1st, 1983. I'm not sure that was doubling. It might have been.

Q. But you recall that the tax increase went into effect in early 1983?

A. Yes.

Q. And did you have any responsibility for trying to predict what the impact of that tax increase would be on the demand for cigarettes, generally?

A. Yes, I did.

Q. And if you could look to what was marked as Exhibits 2 and 3 yesterday to your deposition, ma'am.

A. Yes.

Q. These are exhibits that were shown to you by plaintiff's counsel. Are these examples of some of the documents that you prepared reflecting your work on trying to predict the impact of this increase in the federal excise tax of 1983?

A. Yes, they're related to that.

Q. And, actually, if I can, ma'am, I'd ask you to also look at Exhibit 4, the very next exhibit.

A. Yes.

Q. And see if this doesn't refresh your recollection as to the - whether the excise tax was in fact, at least as

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proposed, to be doubled. If you look at the---

A. I see the paragraph that says from eight cents to sixteen cents per pack.

Q. Okay. So in other words, at least does that help refresh your recollection that the government---

A. Yes.

Q. ---was imposing a one hundred percent increase in its federal excise tax on cigarettes in 1983?

A. Yes, it does.

Q. Now looking specifically, for example, at Exhibit 2, which is a memo that you wrote on September 27th, 1982, to J. R. Moore---

A. Yes.

Q. ---entitled "NBER -" I've always pronounced that "neeber."

A. I always just said N-B-E-R.

Q. "NBER Models of Price Sensitivity by Age [slash] Sex." And I believe NBER, just so we're clear, stands for the National Bureau of Economic Research, is that right?

A. That's correct.

Q. And this memorandum was written, then, a few months before the federal excise tax was set to double, is that correct?

A. Yes, it was, September 27th.

Q. And, again, this memo was part of your work trying

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to predict what the impact of that one-hundred-percent tax increase would be on cigarette consumption, is that right?

A. That is correct.

Q. And what is the total age range of people that you considered in making this assessment? In other words, what was the youngest person through to the oldest person?

A. The data on these - on this memo begins with ages twelve to seventeen and goes to thirty-five plus, which is - doesn't have an upper bound.

Q. Now the first sentence of this memo states, "In 1981 the National Bureau of Economic Research published two models based on consumers' responses to government smoking surveys." Do you see that?

A. Yes, I do.

Q. Your analysis was based on - in other words, I understand that your analysis contained in this memorandum was based on a paper published by the National Bureau of Economic Research, published for the world to see, which was in turn based on data collected by the federal government, is that correct?

A. Yes.

Q. And if I could, ma'am, ask you to turn to page 5 of this document, which I believe was attachment A.

A. Yes.

Q. And under the first Roman numeral, 1982 - the

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first Roman numeral on that page is entitled - or it's captioned "1982 Importance to Industry," and in that table there's a reference to teenagers twelve to seventeen.

A. Yes.

Q. And following along with me, ma'am, to the third column, the heading states "Importance - Percentage of Total Consumption."

A. Yes.

Q. And below that you have "2.2" and then the letter "E." Do you see that?

A. Yes.

Q. Can you explain to me - explain to us the significance of - what does this number represent, "2.2 E"?

A. That is - the E means it is an estimate; 2.2 means the estimate was that teenagers twelve to seventeen who smoked accounted for 2.2 percent of total cigarette consumption.

Q. So in other words, ninety - well, a little less than ninety-eight percent of all cigarettes consumed, according to your analysis at this time, were consumed by legal-age adult smokers, is that right?

A. Yes, that's correct.

MR. ELLISON: Can we just take a two-minute - I just want to take a quick bathroom break.

MR. BEACH: Let's go off the record.

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(Thereupon, a recess is taken from 12:35 p.m. to 12:41 p.m.)

Q. Now, ma'am, with respect to what was marked as Exhibit 2, again, an example of some of the work that you were doing in the early 1980s to predict the impact of this impending one-hundred-percent increase in the federal excise tax on cigarettes, did you include the data on - you included - you've mentioned that you included data on people who were smoking ranging from age twelve to - through thirty-five plus, which I would assume includes fifty- or fifty-five-year-olds, is that right?

A. Eighty, or whatever.

Q. And so you were simply trying to be comprehensive and inclusive in your analysis, is that fair, all-inclusive---

A. Well---

Q. ---to the extent that you could?

A. I suppose that's one element. You know, I'd have to look at a specific memo. The real original reason that any twelve to seventeen was included was for the future predictive value because people twelve to seventeen will ultimately be eighteen to - help me add - whatever, who would be the smokers of six, seven years from now or ten years from now.

Q. Is it fair to say, then - well, let me ask you

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more directly. Did you view this work to have a specific application for brand marketing, in other words, the creation of ads directed to any age group?

A. No. Only to understanding the impact of the federal excise tax increase, the factors influencing cigarette consumption, and the, I guess you'd say, mechanisms by which shifts might occur, the age groups affected and so forth.

Q. And just briefly turning to the other memo of yours that you were shown by plaintiff's counsel yesterday concerning the federal excise tax, which was marked as Burrows Exhibit 3, with - on the cover page it states "Federal Excise Tax." Do you see that, on the very first page of the exhibit?

A. Yes.

Q. This is a memo that you wrote to Phil Galyan---

A. Yes.

Q. ---entitled "Estimated Change in Industry Trend Following Federal Excise Tax Increase."

A. Yes.

Q. And it was dated September 20th, 1982, again, a few months before that tax increase was set to take effect?

A. Yes.

Q. And was the purpose of this memorandum the same, in other words, working to try to predict the impact of that

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tax increase?

A. Yes.

Q. And was this memorandum also based in part on data collected by the United States Department of Health, Education, and Welfare?

A. Yes. I see that it cites three HEW studies on the front page.

Q. And let me just ask, again, the same question I asked with respect to the other federal excise tax document that we were - or memo of yours that we were looking at. Was this memorandum intended, from your perspective, to aid personnel involved in brand marketing develop marketing programs?

A. No.

Q. And do you have any knowledge that any of your federal excise tax research, any of the memos that you prepared on that subject, were utilized for such purposes?

A. I believe they were not. I can't imagine how they would have been used.

Q. And do you have any information that memos like this, this being either Exhibits 2 or 3, any of the memos that you did relating to the federal excise tax increase in the early '80s were even circulated to people in brand marketing? Do you have any knowledge about that whatsoever?

A. I don't know.

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Q. For example, the recipients of this, we talked about the person that you wrote Exhibit Number 2 to, Mr. Nordine. The recipient of Exhibit Number 3, the second of these federal excise tax memos, was addressed to a Mr. Galyan.

A. Yes.

Q. Was Mr. Galyan involved in brand marketing at this time?

A. No. He was in the forecasting group. He was my supervisor, I believe, at that time.

Q. Was he ever involved in brand marketing, to your knowledge?

A. No, he never was.

Q. And before we leave, I guess, the subject of your forecasting work related to the federal excise tax increase in the 1982-1983 time frame, I'd like to ask just a couple of quick follow-up questions that you were asked concerning Reynolds' corporate view or position on this tax increase.

MR. BEACH: And let me just note for the record that in due course I believe--- This is not directed to you, Ms. Burrows. This is really just for the purposes of the record, that in due course I believe that the subject of those questions and her answers would be subject to an objection on Noerr-Pennington grounds and therefore be inadmissible. I'm only asking

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questions about the subject at this point in time purely because it was a subject first raised by plaintiff's counsel.

Q. Now, ma'am, Ms. Burrows, returning to you for a second here, you were not in Reynolds' senior management at this time in 1982 or '83; is that fair to say?

A. That's quite accurate.

Q. And I don't intend to be disrespectful, Ms. Burrows, but, in fact, did you ever hold a position in a senior executive management at Reynolds?

A. No, I never did.

Q. And were you involved personally in discussions relating to Reynolds' corporate position concerning the doubling of the federal excise tax on cigarettes in 1983?

A. To discussions with senior management?

Q. Right, in terms of creating---

A. No.

Q. ---the creation of what the company's position would be vis-a-vis---

A. No, I was not.

Q. ---that tax increase?

So whatever opinion you have about what Reynolds' corporate view or position on that tax increase was is not based on your personal knowledge of communications with senior executives, is that fair?

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A. That is absolutely fair.

Q. Now in that vein, plaintiff's counsel showed you what was marked as Diane Burrows Exhibit Number 4, a document entitled RJR News, and I believe you described it as an internal newsletter, is that right?

A. Yes.

Q. And this newsletter is dated July 13th, 1982, is that right?

A. Yes.

Q. And it's entitled "Bill Proposes to Double Federal Excise Tax on Cigarettes." Do you see that?

A. Yes.

Q. Now looking at the bottom of the first page and then continuing onto the top of the second page, let me just read what is written here into the record, if I might, and then ask you if I've read this correctly: "R. J. Reynolds opposes the cigarette excise tax increase because [colon]: The tobacco industry already bears more than its fair share of the nation's tax burden, as state and federal excise taxes on cigarettes are already among the highest imposed on any product in the United States. In 1981 the tobacco industry paid more than $7 billion in federal and state excise taxes." Do you see that, ma'am?

A. Yes.

Q. Did I read that correctly?

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A. Yes, you did.

Q. The second bullet point under the statement "Reynolds opposes the cigarette excise tax increase because" is as follows: Quote, "While the federal excise tax has not increased since 1952, state excise taxes on cigarettes have increased three hundred and forty percent during that period." Do you see that, ma'am?

A. Yes.

Q. The third bullet point or reason stated for Reynolds' opposition to this cigarette tax increase is - and I quote - "It is unfair to disproportionately tax one class of citizens [dash, dash] the fifty-five million adult Americans who choose to smoke [dash, dash] in an effort to help solve the nation's budget deficit." Do you see that, ma'am?

A. Yes.

Q. And then, finally, the final point listed under for reasons why Reynolds opposes the cigarette excise tax increase is - and I quote - "The tax is highly regressive in that it imposes a proportionately greater burden on middle- and lower-income Americans than the more affluent." Do you see that, ma'am?

A. Yes.

Q. And do you see that this - these statements are attributed to the chairman and chief executive officer of

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the company at that time, Mr. Sticht?

A. Yes.

Q. And you have no basis for disagreeing that that was Reynolds' - those were the four reasons that Reynolds opposed the doubling of the federal excise tax on cigarettes in 1983, is that right?

A. I certainly would not dispute Mr. Sticht.

Q. Let's move forward from the early 1980s to the 1983-84 time frame, if we could, Ms. Burrows. Were you assigned to provide marketing research support for the Salem brand in or around that time, if you recall?

A. Yeah, '83, late '82 maybe.

Q. Were you personally involved in the creative development of actual ads or product promotions for the Salem brand at that time?

A. I was involved to a limited extent as a market researcher so that if there were to be consumer research related to the development of an ad campaign, I would be a part of designing that research and seeing that it was handled in a professional manner and that kind of thing.

Q. And looking just briefly, if we could, Ms. Burrows, at what was marked as Burrows Exhibit 5 yesterday in the document you were shown by plaintiff's counsel, this is a marketing research report entitled "Salem Spring Resort Awareness/Attitude/Memorability Study," and

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it's dated June 28th, 1983. Do you see that, ma'am?

A. Yes.

Q. And you were one of the persons copied on the distribution of this list, as according to the first page of the document, correct?

A. That's what it says.

Q. But this is not a memo that you yourself wrote, is that right?

A. It appears to be written by Margaret Harris.

Q. And what was the - this refers to a Salem Spring Resort Program. What was the age range of the participants in that program?

A. I personally don't have a clue.

Q. Well, let me then direct your attention, if I could, to the third paragraph on the first page of this document and in particular the first sentence in that paragraph. Does that help refresh your recollection?

A. It says, "The Spring Resort Program provided Salem an opportunity to reach over one million target young adults [parens] (eighteen to twenty-four)."

Q. So does that refresh your recollection as to who this program may have been directed to, ma'am?

A. Well, I really don't have any recollection. I assume the memo speaks correctly.

Q. Okay. You mentioned a moment ago that in this

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1983 time frame you started to become aware - excuse me - become involved in marketing and research done for specific brands, or at least Salem brand, is that---?

A. Yes.

Q. Now are you aware of any instance, Ms. Burrows, in which such brand marketing research, research to develop or implement specific ad campaigns or other marketing programs, was conducted on smokers under the age of eighteen?

A. It was not done.

Q. Is that true, to your knowledge, the entire time that you were with the company and at least doing that kind of work?

A. Yes.

Q. Are you aware of any instance in which brand - such brand marketing research was conducted among nonsmokers for the purpose of developing marketing campaigns or other marketing or promotional programs?

A. Actually, I'm aware of one piece of research among nonsmokers.

Q. And what - what is your recollection of that research, ma'am?

A. There was an effort to develop a new product that would be--- I'm trying to not divulge too much proprietary stuff.

MR. ELLISON: Can we go off the record for just

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one second?

(Discussion off the record.)

Q. I'm sorry, ma'am. You were---?

A. I thought perhaps I could be clear without being that specific, but it's tough.

Q. Can you describe what you're - what you're - can you please describe what you're referring to.

A. I was involved in efforts to develop a new product which would produce less smoke in the room as it was smoked, both during smoking and sitting in the ashtray, and the purpose, the smoker benefit of this was to catch less grief from those who are around them. So it was a social benefit that we were attempting to address, and smokers had questioned whether the ones who currently complained, nonsmokers, would in fact see it as better or not, more acceptable or not; therefore, we did one evening of focus groups among nonsmokers who were married to a smoker or had some other close connection to a smoker to ask them if they would, you know, find this - you know, reduce their need to complain.

Q. In other words, whether it was better than a normal cigarette?

A. Than a regular cigarette, yes. So they watched the cigarette be smoked and so forth and gave their comments as to whether it was an improvement, in their view.

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Q. So is it fair to say that in this instance where you were doing research, it wasn't for the purpose of trying to convert nonsmokers to smokers; it was simply to get their feedback on whether or not Reynolds had improved a product to address one of the concerns of nonsmokers, in other words, the exposure to cigarette smoke? Is that fair?

A. Yes, and a concern of smokers who want to be courteous, by and large.

Q. And other than that, are you aware of any instance in which brand marketing research was conducted among nonsmokers?

A. No.

Q. And, really, what I'm getting at with this question is, for the purpose of trying to convert nonsmokers to smoking, are you aware of any brand marketing research---?

A. I'm not aware of any research or any discussion or any brand activities or any ad development or anything else that was intended to get nonsmokers to smoke.

Q. Now--- Thank you. Now in 1983 or so you began a research project for Mr. Nordine. This project has been referred to you and by plaintiff's counsel in questioning as the opportunity analysis. Do you---

A. Yes.

Q. ---recall that?

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Now what department was Mr. Nordine in at that time?

A. He was within the market research department. It might have been called marketing development at that stage. They changed the name, but that was the essence of it, the market research department.

Q. And the final outcome of your work with him--- Well, let me strike that and just ask one quick follow-up.

So in other words, he was not in a brand marketing department at that point in time, correct?

A. No. As I said before, he was not then and never was, to my knowledge.

Q. The final outcome of your work with him was a memorandum entitled "Younger Adult Smoker Strategies and Opportunities," dated February 29th, 1984, is that right?

A. A report, yes. It's kind of fat for a memo, but, yes, you're correct.

Q. All right. And I believe if you look at what was marked yesterday as Exhibit 12 to your deposition---

A. Yes.

Q. ---is this the final version of this report, to your knowledge, ma'am?

A. Well, it looks like it, but I really couldn't swear at this point, page by page.

Q. Well, let me ask it this way: If there are

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versions of this document at least bearing this title or a title similar to it written by you bearing earlier dates in the files at Reynolds, would those be rough drafts?

A. Yes, or intermediate drafts, or I think there were several.

Q. Not - certainly not final draft?

A. Not final drafts, yes.

Q. Now is the information contained in this lengthy report information in 1984 you would have wanted to share with Philip Morris and Reynolds' others - Reynolds' other competitors?

A. No, I would not have wanted to. The company would not have wanted to. It's a very competitive business.

Q. Well, did Reynolds, in your experience, ever make it a practice to share a business strategy and research with its competitors?

A. All I can say is---

Q. In your experience.

A. ---I and others were always warned to make sure we didn't leak any information that could benefit a competitor.

Q. Okay. Now this report is stamped on the very top of the first page "RJR Secret." Do you know why reports of this nature were stamped "Secret," ma'am? Is it for this reason of not wanting to divulge competitively sensitive information to Reynolds' competitors?

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A. Oh, my understanding was that was certainly a reason. It was - anything that came out of market research department was either confidential or secret---

Q. So it's fair---

A. ---was the way we operated.

Q. So is it fair to say that it was - at least for the purposes of your department, it was perfectly common to have your competitively sensitive research work stamped "Secret"? Is that fair, ma'am?

A. Yes, it was common.

Q. Now if I can ask you to turn first to the management summary, which appears - is the third page of this exhibit, again, Exhibit 12 to this deposition, page (i). Are you there with me?

A. Yes, I believe I am.

Q. All right. And under the heading "Purpose"---

A. Yes.

Q. ---the first paragraph of this memo states - and I quote - "This is intended to assist RJR in optimizing its strategic position with respect to younger adult smokers [paren] (eighteen [hyphen] twenty-four) [closed paren] by clarifying their importance versus smokers twenty-five plus, identifying strategies which have been most effective against younger adult smokers in the past and applying this learning to RJR in its current environment."

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MR. ELLISON: Is there a question there?

Q. Did I read that correctly, ma'am?

A. Yes, you did.

Q. And was that in fact one of the primary purposes of this report?

A. Yes.

Q. If we look at page (iii) under the heading "Implications/Recommendations for RJR"---

A. Yes.

Q. ---you wrote, "Younger adult smokers are critical to RJR's long-term performance and profitability. Therefore, RJR should make a substantial long-term commitment of manpower and money dedicated to younger adult smoker programs. An unusually strong commitment from executive management will be necessary, since major volume payoffs may lag several years behind the implementation of a successful younger adult smoker strategy." Did I read that correctly?

A. Yes.

Q. And is that really the primary message of this entire report, ma'am?

A. It's certainly an important one. Primary is in the eye of the viewer, I suppose. This was actually likely suggested by my supervisor, Mr. Nordine, because I was not that familiar with executive management's attitudes, or not

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as familiar as he.

Q. But you certainly agreed and thought that - I mean the fundamental point here was that you were trying to convince the senior management that the company---

A. That this group is important, the company's long-term business depends on improving its performance, and that it won't help this quarter's results. This is a long-term investment.

Q. Were you in any way advocating corporate action pursuing smokers under the age of eighteen?

A. No.

Q. Did anyone suggest to you at any time - anyone at Reynolds suggest to you at any time that they interpreted your work as encouraging or advocating corporate actions toward underage smokers?

A. No.

Q. Now at the time that this report written - was written, what single brand in the marketplace was Reynolds' number-one competitor, if you recall?

A. Marlboro.

Q. If we turn to page---

A. And today, also, I believe.

Q. If we turn to page 3 of your memorandum - report - excuse me.

A. Regular number 3?

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Q. Yes, ma'am.

MR. STAFFORD: See, this is the length of a memo to a lawyer.

THE WITNESS: Oh, okay.

MR. STAFFORD: To everyone else it would be a report, if not a book.

MR. BEACH: Mark Stafford makes a fair point.

THE WITNESS: Now people did call it a book earlier.

Q. The second sentence on page 3 states, "Loyalty rates from the 1983 SDS [paren] (i.e., the percentage of smokers who smoked Marlboro at age eighteen and still do) [closed paren] show that Marlboro loses about twenty-eight percent of its eighteen-year-olds by age twenty and another fourteen percent by age twenty-four [dash, dash] a total loss of forty-two percent over the six years between ages eighteen and twenty-four." Do you see that, ma'am?

A. Yes, I do.

Q. And did I read that correctly?

A. Yes.

Q. What is the significance, Ms. Burrows, to Reynolds of the fact that its number-one competitor - or number-one brand that it - that its brands compete against loses forty-two percent of its smokers between the ages of eighteen and twenty-four?

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MR. ELLISON: Objection. Calls for speculation.

MR. STAFFORD: If you know, go ahead and answer.

Q. I'm asking you, ma'am, for your judgment. What is the significance to Reynolds of the fact that Marlboro, Reynolds' number-one brand that it competes against, loses forty-two percent of its smokers between the ages of eighteen and twenty-four?

A. The point that was to be communicated here, I believe, as the author, was that there was a substantial opportunity to make competitive gains against Marlboro by efforts within the eighteen-to twenty - eighteen-to-twenty-four age group, that business could be taken away from Marlboro as well as garnered for our business, and that would be doubly pleasing to a competitive company.

Q. And we're talking about legal-age smokers here, right?

A. Yes.

Q. Sort of following on the same point, if we skip ahead to page 6, under heading number 3, which is entitled "Switching Opportunity," you wrote, "Younger adults are more likely to switch brands than any other smoker group; i.e., they are a concentrated switching target. Their very high propensity to also switch styles within their brand suggests the latent potential for even higher rates of brand switching." Could you just briefly, again, explain the

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significance of what you were writing about here to a company like Reynolds.

A. Again, to reinforce that business gains from competitor switching is available in the eighteen-to-twenty-four age group and that it - the rate of switching could perhaps - to Reynolds brands, could perhaps be even higher than the numbers indicate, since any kind of switching, from full-flavor to lights within a brand, is - was being considered as a signal of incomplete loyalty. Okay? I'm not completely loyal. I can be perhaps approached by marketing efforts to switch brands.

Q. Now according to the data that you present on this page, what age demographic is the least brand loyal of all adult smokers?

A. Using switching as the definition---

Q. Right.

A. ---the eighteen-to-twenty-four group among the four breaks and total shown in this table.

Q. Now, Ms. Burrows, did you commission any research on persons under the age of eighteen to assist you in preparing this report?

A. No.

Q. And why not?

A. Well, it wouldn't have been pertinent. It was against policy. The government gave me whatever data was

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used, and that was sufficient.

Q. In this report, ma'am, "Younger Adult Smoker Strategies and Opportunities," that you wrote in February 1984, did you make any recommendations concerning marketing to persons under the age of eighteen in this fifty-plus-page report?

A. No, I did not.

Q. Now are you aware that some critics of Reynolds have suggested that the phrase "young" or "younger adult smokers" is a code word for youth?

A. I have heard that said.

Q. Is it true?

A. Not unless youth is eighteen-to-twenty-four smokers.

Q. Is that your absolute sworn testimony under oath?

A. Yes, that is my absolute sworn testimony.

Q. How about the phrase "first usual brand young adult smokers"; was that ever a code word, in your experience, for youth?

A. No. Youth, you mean below age eighteen?

Q. Yes, ma'am.

A. Okay. No, it never was a code word for that.

Q. If we can, ma'am, I'd ask you to turn to appendix B to this memorandum.

A. Yes.

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Q. And you'll see that the page refers to younger adults in the heading, is that right?

A. Yes.

Q. Now the graph on this page includes a chart addressing ages thirteen to twenty-four, if I read it correctly, is that correct, this top graph?

A. Oh, the top graph?

Q. The bar graph.

A. Yes.

Q. It addresses age range from thirteen to twenty-four. Do you see that?

A. Yes.

Q. Now, hypothetically, if someone were to suggest to the jury that this graph proves "younger adult smoker" was a code word for thirteen-to-twenty-four-year-olds, as the actual author of this report, how do you react to that charge?

A. That's incorrect.

Q. Where did the information on this page come from, ma'am?

A. The citations are to two HEW reports.

Q. Publicly---

A. Or, actually, three HEW reports. Excuse me.

Q. Publicly available information, Ms. Burrows?

A. Yes.

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Q. Not information collected by or for Reynolds, correct?

A. That's correct. It's collected only in the sense we received it from the government into the library.

Q. Now the - this page refers to a starting age for smoking. Do you recall how - do you recall how, for the purposes of the reference to government studies, the term "start" was defined? In other words, was it the first cigarette, was it the first daily smoking, or was it some other measurement? Do you recall?

A. What I recall is that the definitions tended to vary from report to report. I don't know at this stage which definition was used in these particular reports.

Q. Now was the information referenced in appendix B to your memo intended to be of any use in the development of brand marketing?

A. No, it was not.

Q. And to your knowledge, was any information on this one page out of this fifty-plus-page report used in the development of marketing for persons under the age of eighteen?

A. Far as I know, it was not used, and, again, I couldn't imagine how it would be useful.

Q. And why is that?

A. Well, it doesn't give you any information that

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would support a marketing campaign except to reiterate the government's information that people do smoke before age eighteen, which everybody already knew in a general way.

Q. If we - if I could ask you to return to the management summary quickly, page (i) we looked at a few minutes ago.

A. Yes.

Q. And on this page, you note in the first bullet point "The renewal of the market stems almost entirely from eighteen-year-old smokers. No more than five percent of smokers start after age twenty-four." Do you see that, ma'am?

A. Yes.

Q. Now was the source of this information, again, government studies?

A. Yes, it was.

Q. And you don't specifically recall whether the government here - the data that you were referring to was based on a first cigarette or regular, daily smoking, is that right?

A. I don't recall at this stage.

Q. And do you consider---?

A. If it was footnoted in here, I just - you would tell me, I suppose. I haven't seen it.

Q. Did you consider yourself an expert on the subject

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of how and when people start smoking when you wrote this report, ma'am?

A. No.

Q. Did you ever consider yourself to be an expert on that subject?

A. Well, I know more than some folks, but I'm not exactly an expert, no. I didn't devote my energies to that.

MR. BEACH: Let's go ahead and have the next exhibit marked, I believe 15.

(Thereupon, Deposition Exhibit Number 15 Burrows is marked for identification.)

Q. Ma'am, I'm showing - what's been marked as Exhibit 15 is a report - is an excerpt from a report from the Office of Applied Studies of the United States Department of Health and Human Services, and the report is entitled "Preliminary Results From the 1997 National Household Survey on Drug Abuse," and if you look at the second page of this exhibit at the very bottom of the page, you'll see that this report was published in August of 1998.

A. Yes.

Q. Now are you generally familiar with something known as the National Household Survey on Drug Abuse? Do you recall that?

A. Very generally.

Q. And let me just direct your attention, if I could,

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to table 45 from this report, which is the mean - includes data on the mean age of first daily use over the period from 1965 through 1996, and, in fact, if you see the third column, it states "Mean Age."

A. Yes.

Q. And in 1984, according to this data, the mean age for first daily smoking was over the age of eighteen, is that correct?

A. Yes.

Q. Now in your memorandum, ma'am, the second bullet point on page---

A. In the opportunity analysis?

Q. Yes, ma'am. On page (i)---

A. Yes.

Q. ---you wrote, "The brand loyalty of eighteen-year-old smokers far outweighs any tendency to switch with age." Do you see that now?

A. Yes.

Q. Now this, of course - brands, which we've actually already talked about a little bit this morning, is a subject that's dealt with in the body of your report, correct?

A. Yes.

Q. And it's dealt with in more detail and with some specific numbers and statistics, right?

A. Yes.

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Q. And so in - is it fair to say that you were speaking or trying to speak in sort of an abbreviated or shorthand fashion here on this page?

A. Yes, I was. The second paragraph says "A broad overview of key ideas."

Q. And, again, returning to the body of the report on page 6, the page that we were looking at earlier---

A. Yes.

Q. ---you've underlined some text in the last paragraph on this page, and I'll read whole sentence: "Thus -" quote, "Thus, switching by [smoker -] smokers eighteen to twenty-four can yield a significant part, but not all, of the share advantages associated with [being] a first brand." Do you see that?

A. Yes.

Q. *So isn't it fair to say, ma'am, that one of the* observations that you are making in this report was that significant share advantages can accrue to a company that succeeds in attracting brand switching by smokers eighteen to twenty-four?

A. Yes.

Q. So is it fair to say that in the management summary, where it was written "The brand loyalty of eighteen-year-old smokers far outweighs any tendency to switch with age," that that may have been a bit of an

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overstatement?

A. Well, "far outweighs" is a little colorful for a market research document, I would say, in retrospect.

Q. Now following the conclusion of your memorandum that we've been looking at entitled "Younger Adult Smoker Strategies and Opportunities," you and others made some presentations summarizing the findings in this report to Reynolds - certain Reynolds employees, is that right?

A. This - in this report?

Q. Summarizing some of the findings from this report.

A. I really don't recall a presentation summarizing this report except very, very briefly, like, one chart.

Q. Then let me clarify. Following the conclusion of this memorandum, you and others in the marketing research department did further work on, I think, what became known as the FUBYAS show?

A. Yes.

Q. Now in doing your research, your additional research following the conclusion of your report that we've been looking at, which has been marked as Exhibit 12, did you conduct any research on persons under the age of eighteen?

A. We did not.

Q. And, again, why did you not do that?

A. It was against policy. It was unnecessary. There

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were data available when we looked at other categories in some instances, but that was a matter of what's available and not pertinent at all to Reynolds' marketing.

Q. For example, you described yesterday your work with this outside expert panel in New York. Do you recall that?

A. Yes.

Q. And it involved bringing people involved in the marketing of different products that might have an interest in younger adults aged eighteen to twenty-four.

A. Yes.

Q. And do you recall you were asked a few questions by plaintiff's counsel establishing that some of the products that these other experts were involved in were not age-restricted? Do you recall roughly being asked about that?

A. Yes, I do.

Q. Now when you met with those people, was Reynolds or were you or the others from Reynolds that you were working with soliciting information on that group that was underage?

MR. ELLISON: Objection. Calls for speculation.

A. No. We---

MR. BEACH: I'm asking her about her - what she specifically did.

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Q. Ma'am---

MR. ELLISON: You said others in the group.

Q. To your knowledge, ma'am, were any of the employees from Reynolds that participated in this process interested in information on persons under the age of eighteen in doing that research?

A. What I can say is, I listened to the entire panel discussion, moderator questions, panelist questions, answers. No one from Reynolds or anywhere else, for that matter, solicited information about persons under eighteen. If - and it could have happened that someone in the group mentioned that. I know we had discussed in advance that we would need to remind them that we were talking about eighteen to twenty-four and would prefer that they speak to that group, being put politely to our participants.

Q. And, in fact, what was shown to you yesterday as Exhibit Number - your Deposition Exhibit Number 7---

THE WITNESS: Help, Mark.

MR. STAFFORD: Yeah, that's it right there.

Q. ---the memo from Ms. Whaley to yourself and others dated August 29th, 1984, reporting on the outside expert workshop, you see that in the second paragraph of her memo, she wrote, "Our interest is confined to the eighteen-to-twenty-four group." Do you see that?

A. Yes.

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Q. So her memo is consistent with your recollection of what occurred at the - at this outside expert workshop, is that fair to say?

A. Yes.

Q. And let me also briefly ask about Exhibit 8, which is a letter that you wrote to a William Schmidt---

MR. STAFFORD: One moment.

Q. ---at the Waylon Company, dated October 2nd, 1984.

A. Yes.

Q. And plaintiff's counsel asked you a few questions about the third paragraph in this letter in which you wrote, "I also just received a sample of your college poster project. Although, as you know, Reynolds does not do college marketing, the general idea certainly seems translatable to the eighteen-to-twenty-four younger adult smoker market, and, based on your early response rates, worth consideration by our promotion area."

Now ma'am, you were never personally involved in any marketing program directed to college campuses, is that right?

A. That's right.

Q. And following your sending of this letter, are you aware of Reynolds utilizing the materials that you may have received from Mr. Schmidt for the purposes of any such marketing program?

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A. I don't really remember getting the poster. I sure don't believe Reynolds would have used it. This was a thank-you note---

Q. You were trying to be polite.

A. ---and the man had wanted some additional business for his promotion group and was sending samples, so I was trying to be nice to him.

Q. Okay. Now, in fact, let me just - since the subject of college marketing arises in this exhibit, I think you were asked some questions about Reynolds' policy regarding marketing to college students yesterday. You testified a minute ago that you were never personally involved in any marketing program directed to college campuses.

A. That's correct, I was not.

Q. And so to the extent you offered opinions yesterday about whether at some point in time Reynolds was in fact engaged in marketing on college campuses, that's not something that you have personal knowledge of, is that fair to say?

A. That's correct. I hope I couched it correctly that it was sort of a general impression.

Q. You're not aware, Ms. Burrows, that Reynolds voluntarily ceased marketing on college campuses in 1963, more than fifteen years before you even joined the company?

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A. No, I wasn't.

Q. It's fair to say that you didn't know precisely what Reynolds' policy was in 1979 when you joined the company as a librarian. Is that fair, ma'am?

A. That's fair.

Q. Now in the---

MR. BEACH: I'll tell you what. Can we go off the record for just a moment, please.

(Thereupon, a recess is taken from 1:30 p.m. to 1:36 p.m.)

Q. Ms. Burrows, how does a company attract young people to smoke in the first place?

A. I have no idea. I doubt that they do.

Q. Is that something that you believe a tobacco company can do?

A. No, I don't believe they can.

Q. Why is that?

A. Because I've seen studies that indicate that the advertising and such activities are not the prime influence, that it's their life environment, parents, peers, friends, social choices.

Q. Why were you specifically targeting to eighteen or talking about eighteen-to-twenty-four-year-old smokers in your opportunity analysis and some of your other work at Reynolds? What was the importance to you of eighteen-to-

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twenty-four-year-olds, as opposed to older smokers?

A. The main point, in my mind, was that the long-term patterns of history indicated that Reynolds' poor performance, low share, among that group would ultimately lead to total business decline, and I felt strongly that that point needed to be made plain.

Q. Well, let me ask the question a little bit more directly. You, in your memo, for example, talk about eighteen-to-twenty-four-year-old smokers. Why not nineteen to twenty-three or seventeen to twenty-six or sixteen-to-twenty-five-year-olds?

A. The sixteen and seventeen is because that would not be a legal smoking age. As to why not nineteen, I suspect it was tradition, if you will. That's legal age. A lot of data is available for eighteen to twenty-four. Perhaps I don't understand your question.

Q. But, I mean, did Reynolds really want to attract twenty-nine-year-old smokers, or did you want them---? This is a somewhat argumentative question. Didn't the company want them as young as they could be gotten as customers, whether they were fourteen or sixteen?

A. No, the company did not.

Q. Why?

A. The company wanted twenty-nine-year-olds; yes, they did. I was pointing out that eighteen to twenty-four

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was a group where Reynolds' business was not strong and that that needed to be corrected.

Q. Well, from a business point of view, why would Reynolds wait until smokers are eighteen if it's - if it's so important to get them to select Reynolds' brands? Why not try to get them when they're fourteen or fifteen or sixteen, ma'am?

A. I don't know how - I don't know how to reiterate this sufficiently for you. Their policy was not to do it. Believe it or not - and there are people who don't believe it, but I believe that Reynolds people are good corporate citizens. There were agreements, whether they were mandates or voluntary agreements, limiting tobacco marketing, and Reynolds adhered to those. Is that sufficient to your question?

Q. It is if it's the truth.

A. It's the truth.

Q. Do you think that it's reasonable or unreasonable for people to believe that the cigarette companies, if they need new smokers, can ignore young people below the age of eighteen?

MR. ELLISON: Objection. That calls for gross speculation.

A. I really don't know what's reasonable. I know that for all intents and purposes, Reynolds ignored that

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group as the object of any marketing or influence from the company.

Q. Well, let me ask it somewhat differently. What has generally been happening - what has, to your knowledge, been happening to the percentage of people, of adults, choosing to smoke in this country from about 1980 through to the present? Has it been going up or down or staying constant?

A. I haven't checked in recent years. During my exposure, it was going down. There were fewer people smoking.

Q. And in that kind of an environment, from your - given your experience at Reynolds---

A. Yes.

Q. ---notwithstanding the fact that for twenty or more years, the number of adults choosing to smoke has been decreasing, can Reynolds, in that decreasing market, still improve its overall performance as a - as a manufacturer and competitor?

A. Absolutely.

MR. ELLISON: Objection. Counsel is testifying.

Q. And how would Reynolds do that, ma'am?

A. By capturing market share from competitors, by getting smokers to choose their brands, to switch from competitive brands.

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Q. Doesn't it have - doesn't Reynolds have to attract, then, people under the legal age to be successful in a declining market?

A. They do not. There's plenty of business eighteen plus that Reynolds does not have that Reynolds can work toward.

MR. BEACH: Let me go ahead and ask that the next exhibit be marked, if I could. I believe this is 16.

(Thereupon, Deposition Exhibit Number 16 Burrows is marked for identification.)

Q. Ma'am, I'm putting in front of you a transcript from an interview that you gave to Peter Jennings, who I believe is affiliated with ABC News. Do you recall being interviewed by Mr. Jennings?

A. Yes, I do.

Q. And the date of the interview, at least reflected on this transcript, is March 1996. Do you see that?

A. Yes, I do.

Q. Does that comport with your recollection of when you spoke with Mr. Jennings?

A. Yes.

Q. And have you reviewed this transcript, and the question that I have for you, ma'am, is in response to the questions that Mr. Jennings asked you, were you truthful?

A. I was truthful. I looked through this at your

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request last evening, and I - everything I said in there, I believe fully.

Q. Let me, if I can, ma'am, direct your attention to page 63 through to 64 and read you a question that he asked you and your answer to that question, although I'll note for the record that on page 64, I believe what is your answer is mistakenly attributed to Mr. Jennings here. Okay?

A. Yes. There were several typos in here.

Q. Okay. In any event, let me go ahead and read his question to you and your answer. He asked you, "I think one of the reasons you and I - you may have thought that we are wrestling with one another a bit is because I think, to some extent, I'm reflecting what many Americans believe, that those of you in the tobacco industry insist so publicly that you're not interested in young smokers, eighteen and younger, when in order to survive as a business, you must be."

And your response to him at that time: "That sounds true, but it isn't really true. For an industry to continue, certainly people have to be interested in the product. If nobody ever started smoking again, sooner or later, the industry will go out of business. That's true. But for a company, their responsibility is to their shareholders, to build their business, to deliver business results, and those business results can be delivered by

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competing with other brands."

Mr. Jennings then asked you, "Okay. Are you content?"

And your answer was, "It's the truth." Do you recall him asking you those questions and you giving that - those - that answer, ma'am?

A. I believe the answer.

Q. In other words, whether or not you specifically recall it today, you believe it is---?

A. By reviewing the transcript, which I reviewed at the time, it did adequately reflect the interview, and I believed every word I said in it. It's the truth.

Q. And turning to page - briefly to page 48, he asked you a question, "But is it true to say that R. J. Reynolds needs replacement smokers at the very young end every year to replace the smokers at the old end who die?"

And you responded, "Certainly, to hold share. What's your point?"

Mr. Jennings stated, "No point, just a question."

And then you stated, "There are plenty of them out there. Let me take a guess, an educated guess, that Reynolds has maybe a fifteen or twenty-percent share among smokers eighteen to twenty-four. We have a big competitor who has - let me guess - seventy-five percent. There's plenty of business for Reynolds to compete for in the

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eighteen to twenty-four without worrying about how many start to smoke or don't start to smoke. There's plenty of business out there to be gained."

He - Mr. Jennings responded, "Okay."

And then you responded, "Legitimate smoker business." And do you recall him roughly asking you those questions and giving you that response, ma'am?

A. That's what was discussed.

Q. And is that a fair assessment of your view during the time that you were employed by R. J. Reynolds Tobacco Company?

A. Yes.

MR. BEACH: I have no further questions. Thank you for your time, ma'am.

EXAMINATION BY MR. ELLISON

Q. Ms. Burrows, I'm going to try to be quick about this. I just have a couple of questions following up on Mr. Beach's. If we could go back to Burrows Number 1. This is the August 20th, 1980, memorandum entitled "Incidence of Smoking Among Young Adults and College Students."

A. Yes.

Q. And both Mr. Beach and I asked you about this last sentence of the second paragraph---

A. Yes.

Q. ---with the clause "to further assist in the

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marketing decision at hand." As you sit here today, do you have any reason to believe that there was not a marketing decision at hand that you referred to in this memo?

MR. STAFFORD: Objection. Asked and answered. Go ahead, if you know.

A. I don't know whether there was or wasn't.

Q. Did you consider yourself a good employee of R. J. Reynolds?

MR. BEACH: Object to the form of the question.

A. I tried to do a good job.

Q. You were conscientious?

A. Yes.

Q. Did you try to make sure that information in a memorandum was correct?

A. The best I could, yes.

Q. So if this memorandum says "to further assist in the marketing decision at hand," to the best of your abilities, that would have been a correct statement?

MR. BEACH: Object to the form of the question. Asked and answered.

A. It was my practice to try to be accurate in what I said. If I wrote that, it would be typical of me that I had the impression that some marketing decision was at hand.

Q. In connection with questions from Mr. Beach, you indicated that one of your jobs in the library was to take

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certain information about smokers aged fourteen to seventeen and segregate it from other information, is that correct?

A. Yes, NFO.

Q. Do you know what happened to that information after you segregated it?

A. I don't. I don't know precisely. I know I boxed it up in these fold-up boxes, and it was shipped out of the library and out of the building. I don't recall whether I knew its destination at that point. I certainly don't know it now.

Q. Looking back at Burrows Number 1, specifically the table on the first page, it says, "Incidence Equals Percentage of Current Regular Smokers Among," and then the first column is "Age Seventeen to Nineteen," is that correct?

A. Yes, that's correct.

Q. And the source for the information about the incidence of smokers age seventeen to nineteen is a Health and - Health, Education, and Welfare report, is that correct?

A. Yes, it would have been. It cites footnote number 1, which is an HEW teenage smoking report.

Q. So in connection with preparing this report, you had access to information about smokers under the legal age, is that correct?

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A. I had access to government data on the percentage of persons in various age groups who smoked.

Q. Including those under the age of eighteen?

A. Apparently so, since I have seventeen to nineteen at the - in the table.

Q. And can we take a look at Burrows Number 2.

A. Yes.

Q. Looking down about halfway into the summary of findings---

A. Uh-huh.

Q. ---you say, "According to the NBER models," and then the first bullet is "Teenagers and younger adult males are highly price sensitive," is that correct?

A. That's what it says.

Q. And then the last bullet point says, "Price affects incidence [colon]: Rate per day is virtually unchanged," is that correct?

A. Yes.

Q. So does that mean that an increase in price affects whether people start smoking?

A. Well, the statement per se about incidence would say that the effect is on the percentage of people who smoke. The percentage can change by people choosing to start or not start or by choosing to quit or not quit.

Q. But if teenagers and younger adult males are

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highly price sensitive and price affects incidence, what is the effect of a price increase on teenagers and younger adult males?

A. To - according to this data, more than most groups - age groups, they would tend to - fewer of them choose to smoke or more of them choose to quit than most other groups on the page, although males twenty to twenty-five show about the same number. It also shows that teens twelve to seventeen, there is somewhat more impact on rate per day than with other groups, if I remember my data interpretation correctly.

Q. And when you referred to teens twelve to seventeen, you were referring to the first column on page 1 of Burrows Number 2, is that correct?

A. Yes.

Q. So that, again, this memo from you included information on people under the legal age to smoke, is that correct?

A. Information on basically whether or not they smoked, yes.

Q. And you sent it to Mr. J. R. Moore?

A. Yes, I did.

Q. And who was he at that time?

A. He was the head of the forecasting group.

Q. And do you know what he did with it?

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A. No, not specifically at this point in time.

Q. If you could take a look at Burrows Number 3 for me. Specifically, I'm interested in the second bullet point where it says "Incidence among twelve-to-seventeen-year-olds [parens] (male and female) has a price elasticity of negative 1.19. If prices were ten percent higher, twelve to seventeen incidence would be 11.9 percent lower." Did I read that correctly?

A. Yes.

Q. And I ask you also to look at - while you leave that in front of you, go to Burrows Exhibit Number 12 and specifically to page 2 under section 1, "The Importance of Younger Adult Smokers."

A. You mean (ii) or 2?

Q. Regular number 2.

A. Okay.

Q. The top of that page says, "The Importance of Younger Adult Smokers" with a Roman numeral I beside it.

A. Uh-huh.

Q. And then under "Volume," the first bullet point says that "less than one-third of smokers start after the age of eighteen." Do you see that? Is that correct?

A. Yes.

Q. In your opinion, in light of the fact that less than one-third of smokers start after the age of eighteen,

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taken in connection with your analysis that incidence among twelve-to-seventeen-year-olds has a price elasticity of negative 1.19, what effect would a federal excise tax - doubling the federal excise tax have on incidence of smoking among twelve-to-seventeen-year-olds?

MR. BEACH: Object to the form of the question. It assumes facts not in evidence, speculation.

A. I'm not sure how you're tying in the first paragraph of - what is this called? - Exhibit 12.

Q. Okay. Well, let me try---

A. The bullet point you read indicates that if prices were ten percent higher, twelve to seventeen incidence would be 11.9 percent lower and proportionately for price changes other than ten percent. A federal excise tax is a form of price change. I believe that answers your question the best I can as to what would happen to incidence.

Q. At the time you wrote the opportunity analysis, do you remember what the median age for male smokers starting to smoke was?

A. I don't recall.

Q. Could you turn to appendix B of the opportunity analysis.

A. Yes.

Q. And it says there, sort of the far right-hand column, "Median equals 16.7 years," is that correct?

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A. That's what it says.

Q. Do you have any reason to believe that's not correct?

A. Not at this point in time, no. I hope it was correct.

Q. And so what does that mean that the median starting age was 16.7 years?

A. Half started before and half started after that age.

Q. Okay. And if you look at the chart that's beside it---

A. Uh-huh.

Q. ---it's got a "Cumulative Percentage of Start By Age" and then it says "Start After Age" beside that, is that right?

A. Yes.

Q. If you look at, let's say, seventeen-year-olds, 53.6 percent start by that age, and 46.4 percent start after that age, is that correct?

A. That's what the table shows.

Q. Looking back, for a second, to Burrows Number 3, if we can go to page 2 of - it's actually the third page of the exhibit, but it's page 2 of the memorandum to Mr. Galyan. Looking at the first chart on that page, the first column says, "Age," and starts with twelve and goes down to

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twenty-five plus, and it's got "Cumulative Percentage Starting By Age" and "Probability of Starting After Age."

A. Uh-huh.

Q. And, again, there's data here on smokers under the legal age to smoke, is that correct?

A. Yes.

Q. And if you flip to the - what's page 3 of the exhibit, there's a chart there, again, and it says, "Age" in the first column, and then the last column is "Thousands of New Smokers Lost," is that correct?

A. Yes.

Q. And does this - this chart has to do with the thousands of new smokers that would be lost as a result of the projected federal excise tax, is that correct?

MR. BEACH: Object to the form of the question. Leading.

A. That's what the memo indicates.

Q. So that, for example, among smokers age thirteen, there would be 14.2 thousand smokers lost as a result of the federal excise tax, is that right?

MR. BEACH: Object to the form of the question.

A. You said thirteen. I think your finger slipped.

Q. Seven point one percent. Seven point one thousand new smokers would be lost as a result of the federal excise tax, is that right?

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MR. BEACH: Object to the form of the question.

A. That's what it appears to indicate.

Q. And, in fact, if you look at this chart, if you compare thousands of new smokers lost, age twelve to seventeen, to thousands of new smokers lost, aged eighteen to twenty-four, can you tell me which group is bigger?

A. Not without a calculator, no.

Q. Fair enough. If you could flip to page 4 of the exhibit, the last page. It says, "cc: MDIC." Do you see that?

A. Yes.

Q. Can you tell me what the MDIC is?

A. Library.

Q. So this document - a copy was sent to the library?

A. Yes. In fact, it appears that this is - this came from the library's files by the way the first page is labeled. One thing that might be helpful to you in interpreting these numbers is the issue that was at hand, and you'll notice the title is "Estimated Change in Industry Trend Following the Excise Tax Increase," and this was a very unusual event in the experience of Reynolds' people. They did not know how to expect their business to be affected. There was one school of thought who believed there would be a short-term drop in cigarette consumption sales volume, whichever word you wish, and then that the

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business would return to the trend it had had ingoing. So, for example, if the business was totally flat - and I don't recall what the exact trend was - that there would be a step down, let's say, in cigarette volume associated with the excise tax increase and then would continue to be flat again thereafter. That was one theory.

The point of this memo was to say that the way, according to the government, that price affects the incidence of smoking suggests that it would not return to the ingoing trend, but that the trend following any short-term impact would be more downward than it had been ingoing, not by a vast amount. I think I came out with a .1 percent or something difference, but when you're talking many billions of cigarettes, .1 percent counts.

Q. And was the reason that it would be downward, as opposed to flat, that if you discouraged people from smoking before the age of - before a certain age, they were unlikely to ever start?

MR. BEACH: Object to the form of the question.

A. That was sort of the gist of it, based on historical patterns reported by the government, if those patterns continued, and that's what a forecaster has to work with, is the information at hand. So the purpose of this was, again, to project business over the long term.

Q. Can anyone go into the Reynolds library that works

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at RJR?

A. I'm not sure there even is a Reynolds library anymore.

Q. At the time that you wrote this memo, was the library accessible to---?

A. It was not for the general public. It was there primarily for the purposes of the market research department, but also provided information for other departments in a spirit of teamwork.

Q. If someone from the marketing department wanted to get a copy of your memo back in 1982 or '83, would they have had access to this memo?

A. They probably could have looked at it if they wanted to. I - when I wrote this memo, I wasn't in the library anymore. It was very rare for anybody to come and ask for project files or memos. They would have sort of had to know it existed. They were kept for librarian purposes, an archive.

Q. During the time that you worked in the library, did anyone from the marketing department ever make a request to the library that you recall?

A. The only specific I recall is somebody who was not in the U.S. in a marketing role, but I mean it could well have happened. I just don't remember and sometimes didn't know what peoples' jobs were exactly.

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Q. But circulation of this memo was not restricted to only people that did forecasting, is that right?

MR. BEACH: Object to the form.

MR. STAFFORD: Object. If you know, answer.

A. I don't - I don't know what happened as far as distribution except that it says a copy went to the library and it was addressed to Phil Galyan.

Q. And so after that, you just don't know?

A. I don't know.

Q. If we could go back to what was marked as Burrows Number 12. Actually, I apologize. I'm sorry. If we could go back to Burrows Number 2 for a second.

A. Okay.

Q. And, specifically, attachment A to Burrows Number 2.

A. Yes.

Q. Mr. Beach had asked you a question about that first line on the table, "Teenagers twelve to seventeen," "Importance Equals Percentage of Total Consumption," "2.2," and then there was an "E" beside it.

A. Yes.

Q. Do you recall that?

A. I see it.

Q. Taking now a look at Burrows Number 12, if we could go to page number 4, at the bottom of the page, D,

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"Long-Term Dividends - Rate Per Day," that first sentence says, "Government and RJR studies spanning several decades have shown that smokers increase their consumption as they age." Do you see that?

A. Yes, I do.

Q. Now flipping back for a second to Burrows Number 2, the importance of teenagers twelve to seventeen is not really reflected by the 2.2 in that chart, is it?

MR. BEACH: Object to the form of the question.

A. Well, I wrote that it was, and I believe that it was reflected in that number.

Q. Flipping back for a second to Burrows Number 12, if you go to page 2 where it says, "Less than one-third of smokers [parens] (thirty-one percent) start after age eighteen," do you see that?

A. Yes, I do.

Q. So that means that two-thirds of smokers start before the age of eighteen, is that right?

MR. BEACH: Object to the form of the question. Assumes facts not in evidence.

A. One would, by arithmetic, arrive at that conclusion, yes.

Q. And then staying with Burrows Number 12 for a second, if you'd flip over to page 4, those smokers that - those two-thirds of smokers that do start before the age of

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eighteen, they increase their consumption as they age, is that right?

A. Well, I don't believe the chart says that. It says "Smokers increase their consumption as they age," and this chart is eighteen plus. One would have to kind of maneuver information together to reach your statement, I believe.

Q. So you don't agree with the statement that smokers generally increase their consumption as they age?

MR. STAFFORD: Objection.

A. No. I do agree with that as a general statement.

Q. Just for clarity of the record, if you'd take a look at Burrows Number 15 for a second. This is the document entitled "Preliminary Results From the 1997 Household Survey on Drug Abuse."

A. Yes.

Q. And the second page of this is Roman numeral (ii). Do you see that down at the bottom right underneath the date, August 18, 1998 - August 1998?

A. Now start over with - oh, yeah. Okay.

Q. And then the next page is 110.

A. Yes.

Q. So this doesn't appear to be the complete document, is that right?

A. Ordinarily pages are number more consecutively

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than that. I'm not familiar with this document anyway.

MR. BEACH: For the record, I believe in the question that I asked her, I noted that it was an excerpt from a report.

Q. Can we take a look at Burrows Number 10 for a minute.

A. Yes. I have it.

Q. That first sentence, or the sentence that says, "As you know, we are handicapped in our analysis of this question in several ways, including the sensitivity of doing research among nonsmokers," period. Did I read that correctly?

A. I'm not sure where you're looking.

Q. In the first paragraph, the second sentence.

A. Okay. Well, I can't say whether you read it correctly because I hadn't found the place yet.

Q. I'm sorry.

A. I'm sure you did.

MR. STAFFORD: Well, it says what it says.

Q. Do you recall doing research on nonsmokers in connection with this?

MR. STAFFORD: Objection. Asked and answered. Go ahead.

A. I'm sure I did not other than looking at published data, such as the government data, which I may or may not

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have done. I don't remember this memo.

Q. Do you recall seeing documents during your time at R. J. Reynolds that instructed you that certain information could only be used for forecasting purposes?

A. I don't recall seeing any document about that.

MR. ELLISON: I don't think I have any further questions.

MR. BEACH: With your indulgence, just a couple about an exhibit that I forgot to ask you about, Ms. Burrows. This will just take---

MR. ELLISON: Yeah. Can we take - go off the record for a quick second?

MR. BEACH: Sure.

(Thereupon, a recess is taken from 2:17 p.m. to 2:22 p.m.)

EXAMINATION BY MR. BEACH

Q. Ms. Burrows, finally, as I mentioned before we took that brief break, there is one exhibit I neglected to ask you about. It was, I believe, the last exhibit shown to you by plaintiff's counsel yesterday, and it was marked Diane Burrows Exhibit 13. It's a collection of ads - print ads for the Camel brand. Do you have them handy to you, ma'am?

A. Yes, I do.

Q. Now I believe you were asked to give your opinion

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concerning certain opinions concerning these executions by plaintiff's counsel, and I just wanted to be clear about this. None of these ads were developed or published while you were with R. J. Reynolds Tobacco Company, isn't that correct?

A. That's correct.

Q. And I take it you did not have any access to marketing research that would have been done in the development of these executions?

A. I did not have any.

Q. So in other words, to the extent that there was focus group qualitative or quantitative research among adult smokers aged twenty-one to thirty-four or other adult smokers over the age of twenty-one, you're not - you haven't ever had access to that information?

A. No, I have no - no data to support my opinion.

Q. Okay. So in other words, in short - and I believe you made this clear - any opinion that you have about these particular executions is just your own off-the-cuff, personal opinion about them, is that fair?

A. That's correct.

Q. On your recross-examination, you were asked some questions relating to starting age, and I think that you were shown a copy of your - for example, your opportunity analysis and a couple of other exhibits?

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A. Yes.

Q. And this may already be clear, but just let me ask again: All of these various references to starting age, whether it's in your opportunity analysis or in your federal excise tax research for the forecasting group, you don't now recall how the government defined "start age," and, indeed, what you recall is that it employed various definitions of that term, is that fair?

A. Yes, that is fair.

Q. And in and of itself, information about starting or the other information contained in your federal excise tax work, would that, in and of itself, be useful? Could a person develop a marketing campaign based on that information, to your knowledge, ma'am?

A. I sure wouldn't know how to begin with just that information.

Q. So a fair answer to my question is, no, you don't believe that that kind of information would be useful in developing a marketing campaign?

A. That's correct. That's correct. I do not believe it would be useful.

MR. BEACH: I have no further questions.

MR. ELLISON: I don't have anything further.

MR. BEACH: We're concluded, then. Off the record.

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MR. STAFFORD: And the witness will read and sign.

(Thereupon, at 2:25 p.m., the deposition is concluded.)

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SIGNATURE OF WITNESS

I, DIANE STEWART BURROWS, certify that I have read in full the preceding transcript of Volume II of my deposition and that it is a true and complete record of my testimony, with the exception of any changes indicated on the errata sheet(s) attached hereto and signed by me.

_____
Diane Stewart Burrows

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal this _____ day of _____ 20___.

_____
Notary Public

My Commission Expires: _____

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I, PAGE CHAMPION ROBERTS, CVR-CM, Notary Public in and for the County of Guilford, State of North Carolina, and Certified Verbatim Court Reporter, do hereby certify:

That on the 28th day of June 2001 there appeared before me the foregoing witness in the above-entitled matter;

That said witness was placed under oath and examined in said matter;

That the foregoing testimony was reported by me and the foregoing transcript is a true and correct record of all the testimony of said witness;

That I am not related to or in any way associated with any of the parties to said cause of action or their counsel and that I am not interested in the event thereof.

IN WITNESS WHEREOF, I have hereunto set my hand this 19th day of July 2001.

Notary Public
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Exhibit 14

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R.J.Reynolds Tobacco Company
Winston-Salem NC 27102

RJR

June 17, 1982

Mr. Mike Henkel
Data Resources, Inc.
Suite 610 - Gas Light Tower
235 Peachtree Street, N.E.
Atlanta, GA 30303

Dear Mr. Henkel:

Three matters related to our industry model development project:

1. Today I received the three graphs you did for me on 6/10. As you probably know by now, the mailing of these was delayed in your office and Jim Zabel shipped them by Federal Express on 6/16. Unfortunately, I cannot make sense of them, since actual industry is not shown for reference. (The scale doesn't help since I don't know whether it's quarterly or annual nor what magnitude the scenarios might generate.)

   Please rerun these graphs with actual also shown and produce two additional plots showing scenarios where:

   - Incidence and rate for 14-17 are fixed at 1965.
   - All 17 year-olds adopt both incidence and rate of 18-24 (1965 level).
   - And, either:
     - All 18-24 and older cohorts keep their I and R, or
     - All 18-24 and older keep their incidence and adopt the older cohort's rate.

   These should cover all the bases of interest for the AGEMIX questions and allow us to proceed with the model.

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

Produced by RJRTC

RM0003740

DEPOSITION EXHIBIT 14 Burrows

CX-810

Burrows Exhibit #4 6-2-98

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Attached are the following data (quarterly from 1965), which we were to develop:

PRICING FACTOR

- Weighted price per pack of cigarettes in cents, (previously submitted).

HEALTH FACTOR

- Count of N.Y. Times articles related to smoking and health (previously submitted).
- Number of Readers' Digest articles on smoking and health, per cover date and estimated release date (previously submitted).
- Dummy variable representing issuance of Surgeon General's reports.
- Weighted average tar per cigarette.
- Births (relating to pregnancy advice) are shown on one of the stress factor charts.

RESTRICTIONS ON OPPORTUNITY TO SMOKE

- Severity index of state legislation restricting smoking. (Level is artificial.)

CIGARETTE ADVERTISING

- Changes in FTC regulations on ad/package warnings (dummy).

STRESS

- Gross count of births, deaths, marriages and divorces, with a sum which may represent change in household composition. These series should be indexed to the adult (18+) population series used throughout the model.
- Gross consumption in gallons of beer, wine, and distilled spirits, with a total weighted by alcohol content. This is to be converted to per capita basis also. (Previously submitted.)

DSB/ch - 6/17/82
Code: 6.3

RM0003741

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For GRP's on anti-smoking commercials (Health Factor) use the data already in your system, except set 1975:4 through 1982:1 at 456. If I find a source of actual recent data, I will call immediately.

I believe this completes all of RJR's data development except the cigarette advertising series. I am waiting for some data to convert dollars to exposure, per your suggestion, and will send as soon as possible.

3. The Census Bureau informs me that they will publish revised annual populations by age for 1970-1981 in about three weeks. Data can be provided earlier (unless it is to be published) by Louisa Miller, 301/763-5002. I hope DRI will consider getting and using the revised data, since the 2.5% error in population by 1980 may be significant in relation to the trends we are attempting to explain.

I hope to hear from you soon on subjects #1 and #3.

Diane S. Burrows
MARKETING DEVELOPMENT DEPARTMENT

DSB/ch

cc: Mr. Parks Dodd (DRI)
Mr. Phil Galvan (RJR)

Produced by RJRTC
HUTTON
Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

DSB/ch - 6/18/82
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		Mfg. Price	State & Local Tax	Total	Mark-Up $	Mark-Up %	Retail Price	Subject to Control
1964	1	17.92	5.70	23.62	4.49	.19	28.11	
	2	17.92	5.70	23.62	4.49	.19	28.11	
	3	17.92	5.70	23.62	4.49	.19	28.11	
	4	17.92	5.70	23.62	4.49	.19	28.11	23.2
1965	1	17.95	5.70	23.65	4.49	.19	28.14	
	2	17.95	5.70	23.65	4.49	.19	28.14	
	3	17.95	7.00	24.95	4.99	.20	29.94	
	4	17.95	7.00	24.95	4.99	.20	29.94	30.0
1966	1	18.01	7.00	25.01	5.00	.20	30.01	
	2	18.05	7.00	25.05	5.01	.20	30.06	
	3	18.34	7.20	25.54	5.11	.20	30.65	
	4	18.34	7.20	25.54	5.11	.20	30.65	30.5
1967	1	18.34	7.20	25.54	5.11	.20	30.65	
	2	18.54	7.20	25.74	5.15	.20	30.89	
	3	18.93	8.50	27.43	6.03	.22	33.46	
	4	18.94	8.50	27.44	6.04	.22	33.48	32.3
1968	1	18.97	8.50	27.47	6.04	.22	33.51	
	2	18.97	8.50	27.47	6.04	.22	33.51	
	3	18.98	9.10	28.08	6.74	.24	34.82	
	4	19.02	9.10	28.12	6.75	.24	34.87	32.8
1969	1	19.05	9.10	28.15	6.76	.24	34.91	
	2	19.28	9.10	28.38	6.81	.24	35.19	
	3	19.76	10.40	30.16	7.54	.25	37.70	
	4	19.77	10.40	30.17	7.54	.25	37.71	37.1
1970	1	19.77	10.40	30.17	7.54	.25	37.71	
	2	20.06	10.40	30.46	7.62	.25	38.08	
	3	20.68	11.10	31.78	8.26	.26	40.04	
	4	20.69	11.10	31.79	8.27	.26	40.06	38.1
1971	1	20.69	12.10	32.79	8.53	.26	41.32	
	2	20.69	12.10	32.79	8.53	.26	41.32	
	3	20.70	12.10	32.80	8.86	.27	41.66	
	4	20.70	12.10	32.80	8.86	.27	41.66	40.
1972	1	20.76	12.40	33.16	8.95	.27	42.11	
	2	20.77	12.40	33.17	8.96	.27	42.13	
	3	20.77	12.40	33.17	8.62	.26	41.79	
	4	20.77	12.40	33.17	8.62	.26	41.79	40
1973	1	20.80	12.40	33.20	8.66	.26	41.86	
	2	21.28	12.50	33.78	8.78	.26	42.56	
	3	21.28	12.50	33.78	9.12	.27	42.90	
	4	21.29	12.50	33.79	9.12	.27	42.91	41

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		MANUF. PRICES	STATE AND LOCAL TAXES	MANUF. + TAXES	WHOLESALE & RETAIL MARGIN ¢	WHOLESALE & RETAIL MARGIN %	RETAIL PRICE
1974	I	21.45	12.50	33.95	9.17	.27	43.12
	II	22.16	12.50	34.66	9.36	.27	44.02
	III	22.89	12.60	35.49	9.23	.26	44.72
	IV	23.78	12.60	36.38	9.46	.26	45.84
1975	I	24.32	12.60	36.92	9.60	.26	46.52
	II	24.32	12.60	36.92	9.60	.26	46.52
	III	24.32	12.80	37.12	9.65	.26	46.77
	IV	24.90	12.80	37.70	9.80	.26	47.50
1976	I	25.83	12.80	38.63	10.04	.26	48.67
	II	25.83	12.80	38.63	10.04	.26	48.67
	III	25.82	12.80	38.62	10.04	.26	48.66
	IV	26.97	12.80	39.77	10.34	.26	50.11
1977	I	27.34	12.80	40.14	10.44	.26	50.58
	II	27.34	12.80	40.14	10.44	.26	50.58
	III	28.19	13.30	41.49	10.79	.26	52.28
	IV	29.05	13.30	42.35	11.01	.26	53.36
1978	I	29.06	13.30	42.36	11.01	.26	53.37
	II	29.06	13.30	42.36	11.01	.26	53.37
	III	30.76	13.30	44.06	11.46	.26	55.52
	IV	30.76	13.30	44.06	11.46	.26	55.52
1979	I	31.87	13.30	45.17	11.74	.26	56.91
	II	31.87	13.30	45.17	11.74	.26	56.91
	III	32.80	13.40	46.20	12.01	.26	58.21
	IV	33.44	13.40	46.84	12.18	.26	59.02
1980	I	34.48	13.40	47.88	12.45	.26	60.33
	II	35.22	13.40	48.62	12.53	.26	61.15
	III	35.68	13.50	49.18	12.79	.26	61.97
	IV	36.74	13.70	50.44	13.56	.27	64.00
1981	I	37.32	13.80	51.12	13.80	.27	64.92
	II	38.61	13.80	52.41	14.15	.27	66.56
	III	39.44	14.00	53.44	14.43	.27	67.87
	IV	40.80	14.00	54.80	14.80	.27	69.60
1982	I	41.36	14.10	55.46	14.97	.27	70.43

SPS/ch -6/7/82
Code: 4.15

RM0003744

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	1ST QTR.	2ND QTR.	3RD QTR.	4TH QTR.
1965	26	29	19	13
1966	13	9	7	29
1967	29	29	57	35
1968	22	18	34	22
1969	52	45	64	27
1970	25	22	13	24
1971	35	20	15	9
1972	15	6	9	11
1973	30	11	16	11
1974	31	14	20	28
1975	30	29	28	29
1976	27	31	15	26
1977	22	28	23	20
1978	44	37	34	39
1979	54	42	30	42
1980	25	49	22	29
1981	20	29	15	29
1982	37			

Sources: NYT Index, 1965-73; NYT Info. Serv., 1974-1982.

DSB/ch - 6/7/82
Code: 5.30

RM0003745

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	1ST QTR.	2ND QTR.	3RD QTR.	4TH QTR.
1965	0	0	0	0
1966	0	0	0	0
1967	0	0	1	0
1968	0	0	1	0
1969	0	0	0	0*
1970	1	0	0	0
1971	0	0	0	0
1972	1	0	0	0
1973	1	0	0	0
1974	1	0	0	0
1975	0	0	1**	0
1976	0	0	0	0
1977	0	0	0	0
1978	0	0	1****	0***
1979	1	0	0	0
1980	1	0	0	0
1981	1	0	0	0
1982	1	0	0	0

*Dated 12/31/70, believed issued 2/26/71.

**Dated 3/18/75, believed issued 7/75.

***Administrative printings not issued to public.

****Gori Report (not Surgeon General per se).

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RM0003747

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NUMBER OF READERS' DIGEST ARTICLES ON SMOKING & HEALTH BY QUARTER

	PER COVER DATE*				PER PRT. RELEASE DATE*			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1965	1	1	1	0	0	2	0	0
1966	0	1	1	1	1	1	0	2
1967	1	0	0	1	0	0	0	2
1968	1	0	0	1	0	0	0	1
1969	1	0	0	0	1	0	0	0
1970	0	1	0	1	1	0	1	0
1971	0	0	1	0	0	1	0	0
1972	1	0	1	0	1	1	0	0
1973	0	1	0	0	0	1	0	0
1974	0	0	0	0	0	0	0	1
1975	1	1	0	0	0	1	0	0
1976	0	1	2	3	0	2	3	2
1977	2	0	0	1	1	0	0	1
1978	1	3	0	0	2	2	0	0
1979	0	0	1	0	0	0	1	0
1980	1	1	1	1	1	1	2	1
1981	2	1	1	0	2	1	0	0
1982	0				0			

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*Usually published one month prior to cover date.

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RM0003746

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SALES WEIGHTED AVERAGE "TAR" PER CIGARETTE

4TH QTR. OF:	"TAR"
1965	22.8
1966	23.5
1967	22.4
1968	21.6
1969	21.0
1970	19.9
1971	19.6
1972	19.3
1973	18.5
1974	18.3
1975	18.0
1976	17.3
1977	16.5
1978	16.0
1979	14.9
1980	14.0
1981	13.3

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Code: 5.7

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SEVERITY INDEX* OF STATE LEGISLATION RESTRICTING SMOKING

	1ST QTR.	2ND QTR.	3RD QTR.	4TH QTR.
1965	21.5	21.5	21.5	21.5
1966	21.6	21.6	21.6	21.6
1967	21.6	21.6	21.5	21.5
1968	21.5	27.0	27.0	27.0
1969	27.0	26.9	26.9	26.9
1970	26.9	26.9	26.9	26.9
1971	46.5	46.5	46.4	46.4
1972	46.4	47.9	47.8	47.8
1973	56.4	56.4	56.4	56.8
1974	57.0	60.8	63.9	63.9
1975	79.2	104.2	132.0	139.1
1976	139.1	140.3	148.2	145.2
1977	149.9	181.9	191.6	191.8
1978	206.7	210.8	210.9	211.0
1979	211.9	211.6	222.4	222.5
1980	226.1	226.2	226.3	226.3
1981	228.8	228.8	232.7	234.3
1982	234.3			

* U.S. average of state ratings on RJR severity scale, weighted by % of U.S. population in state.

Produced to Federal Trade Commission pursuant to subpoena dated June 6, 1997.

Produced by R.J. Reynolds Tobacco Co. in MDL 1913

52614 7271

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	1ST QTR.	2ND QTR.	3RD QTR.	4TH QTR.
1965	0	0	0	0
1966	1	1	1	1
1967	1	1	1	1
1968	1	1	1	1
1969	1	1	1	1
1970	2	2	2	2
1971	2	3	3	3
1972	4	4	4	4
1973	4	4	4	4
1974	4	4	4	4
1975	4	4	4	4
1976	4	4	4	4
1977	5	5	5	5
1978	5	5	5	5
1979	5	5	5	5
1980	5	5	5	5
1981	5	5	5	5
1982	5	5	5	5

Produced to Federal Trade Commission pursuant to subpoena
Dated June 6, 1997.

52614 7272

DSB/ch - 6/17/82
Code: 5.31

RM0003750

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	BEER	WINE	DISTILLED	WEIGHTED TOTAL
1ST 1965	644,764.00	42,363.00	42,430.00	541,294.08
2ND 1965	644,432.00	41,372.00	49,578.00	654,422.00
3RD 1965	846,729.00	40,005.00	65,230.00	549,672.23
4TH 1965	717,092.00	49,648.00	94,500.00	859,844.30
1ST 1966	604,449.00	43,256.00	62,726.00	511,389.38
2ND 1966	878,540.00	42,051.00	74,749.00	677,527.91
3RD 1966	929,411.00	38,497.00	71,912.00	688,723.61
4TH 1966	739,722.00	49,392.00	94,515.00	683,771.38
1ST 1967	730,546.00	47,066.00	69,943.00	599,511.84
2ND 1967	926,652.00	44,206.00	79,168.00	715,485.38
3RD 1967	892,242.00	42,117.00	74,773.00	683,991.77
4TH 1967	766,754.00	51,639.00	100,903.00	715,994.33
1ST 1968	744,465.00	49,995.00	74,063.00	627,434.23
2ND 1968	928,109.00	44,084.00	83,477.00	724,227.38
3RD 1968	934,733.00	43,129.00	80,728.00	741,553.45
4TH 1968	804,558.00	84,254.00	106,220.00	753,342.30
1ST 1969	773,202.00	52,619.00	76,776.00	645,715.30
2ND 1969	913,322.00	50,366.00	89,718.00	747,954.41
3RD 1969	991,107.00	49,408.00	85,772.00	814,971.23
4TH 1969	852,770.00	58,432.00	109,399.00	791,131.99
1ST 1970	832,381.00	57,748.00	81,865.00	695,816.13
2ND 1970	1,054,403.00	53,960.00	83,557.00	869,413.70
3RD 1970	1,024,395.00	54,111.00	85,350.00	789,524.08
4TH 1970	872,061.00	69,640.00	115,389.00	827,111.23
1ST 1971	858,917.00	64,044.00	81,075.00	711,936.77
2ND 1971	1,083,946.00	63,609.00	92,772.00	849,344.08
3RD 1971	1,095,757.00	60,841.00	90,001.00	843,501.16
4TH 1971	918,654.00	78,573.00	117,303.00	859,808.07
1ST 1972	911,152.00	70,644.00	86,056.00	735,983.38
2ND 1972	1,135,375.00	71,410.00	94,400.00	892,044.61
3RD 1972	1,116,031.00	64,614.00	87,881.00	850,108.31
4TH 1972	923,490.00	83,254.00	121,600.00	883,634.00
1ST 1973	964,286.00	72,747.00	88,879.00	791,275.92
2ND 1973	1,148,953.00	74,122.00	97,828.00	905,417.22
3RD 1973	1,175,729.00	63,599.00	91,540.00	887,904.69
4TH 1973	1,002,540.00	81,573.00	124,287.00	926,705.30
1ST 1974	1,012,274.00	74,599.00	92,637.00	824,839.30
2ND 1974	1,220,098.00	73,321.00	102,343.00	951,344.69
3RD 1974	1,262,010.00	65,896.00	94,701.00	939,749.84
4TH 1974	1,014,940.00	84,193.00	124,512.00	935,740.69
1ST 1975	1,008,492.00	74,936.00	90,750.00	821,624.61
2ND 1975	1,266,970.00	77,345.00	102,801.00	978,411.15
3RD 1975	1,275,557.00	71,634.00	97,295.00	961,460.30
4TH 1975	1,054,914.00	92,594.00	129,294.00	978,228.15
1ST 1976	1,018,536.00	79,393.00	93,998.00	838,791.15
2ND 1976	1,240,274.00	78,370.00	102,187.00	974,456.44
3RD 1976	1,242,424.00	73,742.00	98,094.00	995,040.00
4TH 1976	1,040,763.00	85,965.00	129,586.00	965,040.31
1ST 1977	1,084,597.00	79,277.00	95,931.00	848,878.69
2ND 1977	1,394,504.00	79,998.00	104,528.00	1,045,239.84
3RD 1977	1,312,199.00	81,212.00	98,747.00	990,679.23
4TH 1977	1,073,065.00	91,279.00	133,272.00	998,607.45
1ST 1978	1,112,807.00	81,395.00	99,136.00	900,032.07
2ND 1978	1,395,718.00	82,167.00	107,023.00	1,044,415.30
3RD 1978	1,403,773.00	79,851.00	102,689.00	1,041,846.23
4TH 1978	1,134,445.00	97,064.00	134,687.00	1,035,675.54
1ST 1979	1,219,540.00	86,710.00	99,730.00	956,436.16
2ND 1979	1,411,430.00	85,210.00	106,860.00	1,065,439.22
3RD 1979	1,376,402.00	83,500.00	101,690.00	1,031,653.84
4TH 1979	1,154,440.00	94,000.00	136,140.00	1,047,710.77
1ST 1980	1,212,410.00	92,360.00	99,250.00	957,318.45
2ND 1980	1,436,230.00	88,440.00	107,310.00	1,081,500.00
3RD 1980	1,455,140.00	82,670.00	105,500.00	1,078,886.47
4TH 1980	1,191,020.00	108,420.00	135,170.00	1,074,029.23
1ST 1981	1,224,500.00	91,720.00	99,530.00	963,120.00
2ND 1981	1,542,360.00	95,490.00	109,170.00	1,143,348.45
3RD 1981	1,496,370.00	93,480.00	104,020.00	1,104,373.84
4TH 1981	1,182,030.00	110,060.00	134,230.00	1,068,627.69

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RM0003751

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	BEER	WINE	DISTILLED	TOTAL
1ST 1965	366,014.15	42,363.00	193,113.92	601,494.06
2ND 1965	398,970.00	41,372.00	214,086.90	654,428.00
3RD 1965	400,028.77	40,025.00	209,938.46	649,972.23
4TH 1965	330,965.54	49,648.00	289,230.77	669,844.30
1ST 1966	315,899.54	43,256.00	202,233.84	561,389.38
2ND 1966	405,480.00	42,051.00	229,956.92	677,527.92
3RD 1966	428,958.92	38,497.00	221,267.69	688,723.61
4TH 1966	341,410.15	49,392.00	296,969.23	687,771.38
1ST 1967	337,175.08	47,066.00	215,270.77	599,511.84
2ND 1967	427,685.54	44,206.00	243,593.84	715,485.38
3RD 1967	411,804.00	42,117.00	230,070.77	683,991.77
4TH 1967	353,886.46	51,639.00	310,470.77	715,996.23
1ST 1968	343,599.23	49,995.00	234,040.00	627,634.23
2ND 1968	428,358.00	44,094.00	253,775.38	726,227.38
3RD 1968	449,876.77	43,129.00	248,547.69	741,553.45
4TH 1968	372,257.54	54,254.00	326,830.77	753,342.30
1ST 1969	356,842.46	52,619.00	236,233.84	645,715.30
2ND 1969	421,533.23	50,366.00	276,055.38	747,954.61
3RD 1969	503,587.84	49,408.00	263,975.38	816,971.23
4TH 1969	395,893.84	58,632.00	336,606.15	791,131.99
1ST 1970	384,175.84	59,748.00	251,892.31	695,816.15
2ND 1970	486,647.54	53,560.00	269,406.15	809,613.70
3RD 1970	472,797.69	54,111.00	262,615.38	789,524.08
4TH 1970	402,489.69	69,640.00	354,981.54	827,111.23
1ST 1971	396,423.23	66,046.00	249,461.54	711,930.77
2ND 1971	500,282.77	63,609.00	285,452.30	849,344.08
3RD 1971	505,734.00	60,841.00	276,926.15	843,501.16
4TH 1971	420,302.77	78,573.00	340,932.30	839,808.07
1ST 1972	420,531.69	70,664.00	264,787.69	755,983.38
2ND 1972	524,019.23	71,410.00	296,615.38	892,044.61
3RD 1972	515,091.23	64,614.00	270,403.07	850,108.31
4TH 1972	426,226.15	83,254.00	374,153.84	883,634.00
1ST 1973	445,035.07	72,747.00	273,473.84	791,255.92
2ND 1973	530,285.99	74,122.00	301,009.23	905,417.22
3RD 1973	542,644.15	63,599.00	281,661.54	887,904.69
4TH 1973	462,710.77	81,573.00	382,421.54	926,705.30
1ST 1974	467,203.38	74,599.00	285,036.92	826,839.30
2ND 1974	563,122.15	73,321.00	314,901.54	951,344.69
3RD 1974	582,466.15	65,896.00	291,387.69	939,749.84
4TH 1974	488,433.84	84,193.00	363,113.84	935,740.69
1ST 1975	465,457.84	76,936.00	279,230.77	821,624.61
2ND 1975	584,755.38	77,345.00	316,310.77	978,411.15
3RD 1975	588,718.61	71,834.00	300,907.69	961,460.30
4TH 1975	487,804.44	92,594.00	397,827.69	978,226.13
1ST 1976	470,093.54	79,393.00	289,224.61	838,711.15
2ND 1976	581,664.92	78,376.00	314,421.54	974,456.46
3RD 1976	619,580.30	73,742.00	301,827.69	995,150.00
4TH 1976	480,352.15	85,965.00	398,726.15	965,043.31
1ST 1977	500,583.23	79,277.00	289,018.46	868,878.69
2ND 1977	643,617.23	79,998.00	321,624.61	1,045,239.84
3RD 1977	605,630.30	81,212.00	303,836.92	990,679.23
4TH 1977	495,240.77	91,279.00	410,067.69	996,607.45
1ST 1978	513,603.23	81,395.00	305,033.84	900,032.07
2ND 1978	634,946.77	82,147.00	329,301.54	1,046,415.30
3RD 1978	647,892.23	79,851.00	314,120.00	1,041,866.23
4TH 1978	523,590.00	97,064.00	414,421.54	1,035,075.54
1ST 1979	562,864.62	86,710.00	306,861.54	956,436.16
2ND 1979	651,429.23	85,210.00	328,800.00	1,065,439.22
3RD 1979	635,241.53	83,500.00	312,892.30	1,031,653.84
4TH 1979	532,818.46	96,000.00	418,892.30	1,047,710.77
1ST 1980	559,573.84	92,360.00	305,384.61	957,318.45
2ND 1980	662,875.38	88,440.00	330,184.61	1,081,500.00
3RD 1980	671,603.08	82,670.00	324,615.38	1,078,888.47
4TH 1980	549,701.54	108,420.00	415,907.69	1,074,029.23
1ST 1981	545,153.84	91,720.00	306,246.15	943,120.00
2ND 1981	711,950.77	95,490.00	335,907.69	1,143,348.45
3RD 1981	690,632.30	93,680.00	320,061.54	1,104,373.84
4TH 1981	545,552.30	110,060.00	413,015.38	1,068,627.69

Produced to Federal Trade Commission pursuant to subpoena
dated June 6, 1997.

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Gross Count (000) To Be Indexed To Total Population 18+

		BIRTHS	DEATHS	MARRIAGES	DIVORCES	TOTAL
1965:	1	918	483	341	117	1,859
	2	908	445	491	123	1,967
	3	1,003	430	533	120	2,086
	4	931	469	436	121	1,957
1966:	1	871	483	346	120	1,820
	2	872	465	502	126	1,965
	3	951	446	545	123	2,065
	4	912	469	464	125	1,970
1967:	1	859	474	355	127	1,815
	2	851	454	520	136	1,961
	3	931	441	575	134	2,081
	4	880	483	478	137	1,978
1968:	1	826	517	386	136	1,865
	2	849	454	574	144	2,021
	3	1,234	458	605	150	2,447
	4	901	494	505	152	2,052
1969:	1	861	506	399	158	1,924
	2	863	468	599	169	2,099
	3	952	457	627	163	2,199
	4	924	492	520	170	2,106
1970:	1	890	509	416	175	1,990
	2	887	464	604	194	2,149
	3	992	460	624	182	2,258
	4	962	489	515	164	2,130
1971:	1	903	500	401	182	1,986
	2	855	476	608	192	2,131
	3	936	458	638	192	2,216
	4	869	495	543	200	2,107
1972:	1	811	525	401	203	1,940
	2	784	469	608	212	2,073
	3	848	471	638	206	2,163
	4	815	501	543	218	2,077
1973:	1	776	522	431	218	1,947
	2	756	481	646	232	2,115
	3	827	475	666	229	2,197
	4	778	498	541	236	2,053

DSB/ch - 6/17/82
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1974:	1	752	501	411	231	1,095
	2	754	478	634	245	2,111
	3	850	465	653	246	2,214
	4	804	493	532	250	2,079
1975:	1	759	510	401	240	1,910
	2	768	460	614	253	2,095
	3	833	454	621	261	2,169
	4	784	472	517	273	2,046
1976:	1	758	523	397	262	1,940
	2	752	461	759	276	2,248
	3	842	445	629	268	2,184
	4	816	483	528	271	2,098
1977:	1	806	493	391	258	1,948
	2	816	463	608	276	2,157
	3	883	456	649	274	2,262
	4	828	490	530	278	2,126
1978:	1	797	528	393	265	1,983
	2	796	472	642	288	2,198
	3	891	452	694	284	2,321
	4	849	473	553	285	2,160
1979:	1	810	494	415	278	1,997
	2	839	469	667	292	2,267
	3	938	459	689	298	2,378
	4	890	485	561	302	2,238
1980:	1	852	531	448	277	2,108
	2	892	479	692	306	2,349
	3	947	471	702	300	2,420
	4	919	502	572	304	2,297
1981:	1	885	552	438	286	2,161
	2	853	479	720	314	2,380
	3	974	465	705	269	2,413
	4	919	491	576	313	2,299
1982:	1					
	2					
	3					
	4					

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HOWARD L.

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OFFICE OF APPLIED STUDIES

Preliminary Results from the 1997 National Household Survey on Drug Abuse

DEPOSITION EXHIBIT 15 BURROWS

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Substance Abuse and Mental Health Services Administration

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[redacted]

Larry A. Kroutil, Brenda K. Porter, Michael B. Witt, L. Lynn Guess, and Tom Virag (Project Director). Significant contributors from SAMHSA include Joseph Gfroerer, Doug Wright, Joe Gustin, Janet Greenblatt, Joan Epstein, and Peggy Barker. Graphics and formatting of the report were done by Maria T. Rivero.

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5600 Fishers Lane, Room 16-105
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August 1998

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80529 (202A) PRELIMINARY DATA - AS OF JUNE 1998

Table 45. Estimated Number (in Thousands) of Persons Who Began Daily Cigarette Use During Each Year 1965-1996, Their Mean Age at First Daily Use, and Annual Age-Specific Rates of First Daily Use (per 1000 Person-Years of Exposure), Based on 1994-1997 NHSDAs

YEAR	INITIATES (1000s)	MEAN AGE	AGE-SPECIFIC RATE OF FIRST USE[1] 12-17	18-25	26-34
1965	1606	17.9	44.0	106.2	7.9
1966	1716	17.9	42.6	117.0	6.0
1967	1741	18.7	48.1	100.8	14.8
1968	2268	18.5	49.7	155.2	6.4
1969	2055	18.0	57.1	116.4	18.0
1970	1910	17.3	52.5	101.9	6.5
1971	2179	18.0	58.0	117.9	15.0
1972	2004	17.9	57.7	95.4	25.4
1973	2276	17.9	65.3	106.5	25.6
1974	2405	18.9	66.2	109.2	23.7
1975	1811	18.4	49.4	87.1	14.5
1976	1974	18.1	54.8	93.1	17.6
1977	2284	18.4	66.8	108.0	12.9
1978	1984	18.3	59.6	88.1	14.4
1979	1935	19.0	54.7	92.5	16.7
1980	1704	18.7	51.6	81.7	10.5
1981	1757	19.1	56.4	73.3	14.1
1982	1586	18.7	49.2	73.3	11.9
1983	1527	18.3	43.8	73.9	13.3
1984	1547	18.4	52.3	65.4	11.1
1985	1497	18.7	50.2	66.2	10.8
1986	1561	18.0	56.7	69.5	10.0
1987	1482	18.4	51.8	68.0	10.4
1988	1384	18.5	51.2	60.8	11.4
1989	1496	18.7	53.8	61.4	7.1
1990	1503	18.3	57.8	63.6	13.9
1991	1464	18.1	57.6	58.0	13.3
1992	1651	18.2	61.9	69.1	11.9
1993	1578	18.8	58.7	60.0	12.6
1994[3]	1747	17.9	67.7	68.9	10.4
1995[3]	1797	17.8	71.8	62.3	11.3
1996[4]	1851	17.3	77.8	68.4	7.5

*Low precision; no estimate reported.
**Estimate rounds to zero.

[1] The numerator of each rate equals the number of persons who first used the drug in the year (times 1000). The denominator of each rate equals the number of persons who were exposed to risk of first use during the year, weighted by their estimated exposure time measured in years. For example, for the age group 12-17 in 1990, the denominator is the sum of three components:
(1) those persons 12-17 years old in 1990 who first used the drug in 1989 or earlier, times a weight of zero. The weight is zero since they had zero exposure to the risk of first use in 1990.
(2) those who first used the drug in 1990 times a weight of .5. The weight of .5 assumes that these people, on average, first used the drug at midyear and consequently have a half year of exposure (i.e. the first half of the year.)
(3) those who never used, or those who first used the drug in 1991 or later, times a weight of one. The weight of one assumes their exposure to the risk of first use during 1990 was for the whole year.
Each person is also weighted by his/her sample weight.
[3] Estimated using 1995, 1996 and 1997 data only.
[4] Estimated using 1996 and 1997 data only.
[5] Estimated using 1997 data only.

Source: SAMHSA, Office of Applied Studies, National Household Survey on Drug Abuse, 1994-1997.

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FOR ABC NEWS
157 Columbus Avenue
New York, NY 10023

DATE 3/21/96

PROGRAM PETER JENNINGS SPECIALS
TOBACCO
TAPE 1-3--DIANE BURROWS

BGT NO. JR 602

TAPE 1.

PETER JENNINGS

I want to start with something that I know is very important to you which is to get on the record that you are not this weeks latest whistle blower.

DIANE BURROWS

Absolutely not.

PETER JENNINGS

OK, so explain to me why. I mean, you want to talk about that for a second?

DIANE BURROWS

About not being a whistle blower?

PETER JENNINGS

Yeah. I mean you told me the first time we met you were very proud of the company for whom you worked, very proud of what you did.

DIANE BURROWS

Absolutely and proud of the work that I

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contributed, some of which gets questioned out there in the open world. There was no sins committed that I saw.

PETER JENNINGS

So why was it important do you think to develop a strategy to attract young smokers?

DIANE BURROWS

To develop a strategy to attract younger adult smokers...

PETER JENNINGS

Um hm.

DIANE BURROWS

To Reynolds brands. Well, if you look at the history of the cigarette market, there have been a relatively few really big important brands. If you go back through history what you find is the success of each of those brands is built by their appeal to younger adult smokers. Younger adult smokers choose those brands and that is the way those brands are built. There's an arithmetic to it. This years smokers 18 plus, 100% of the market. If I have a ten share brand, next year those smokers are not 100% of the market

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anymore. They're 99% because there's a new group that comes in. And my brand share will grow or decline based on my appeal to those younger adult smokers. Do they want to smoke my brand or do they choose another brand? Not do they smoke or not but what brand do they choose and you can go back through history and demonstrate that all the big bands from Pell Mell or Pall Mall, however you like to say it, to Winston, Marlboro, on up through today, that's the way that cigarette brands grow and decline.

PETER JENNINGS

When you were working in the strategic planning division at RJR, your company was getting badly beaten up my Phillip Morris...

DIANE BURROWS

Absolutely.

PETER JENNINGS

...among what you call young adult smokers. What was the situation?

DIANE BURROWS

What was the situation? Something like Marlboro had a 60 share among smokers 18

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to 24 and Reynolds had a 15. That's a pretty big gap. And when you think about the dynamic I've just tried to explain to you, Marlboro has a 60 share among smokers 18 to 24, next year they'll have a 60 share among smokers 18 to 25 and 26 and 27. That's the way they've grown to be a 30 brand and ultimately they'd be a 60 share brand, using round numbers.

PETER JENNINGS

So, it was important for any cigarette company to continue to attract smokers at the younger rather than the older end of the scale.

DIANE BURROWS

Absolutely and another reason is that they haven't settled in on what is going to be their brand of choice. Smokers typically try a number of brands before they find one that really suits them. And then they stick with that brand. That's the nature of smoking, the nature of the business. If you let somebody settle in with a brand for 20 years, you have a really big job to try to sell them a different

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cigarette brand. So it's a lot easier to be interesting to those smokers, to give them the kind of products they want, and advertise them in a way that will interest them, and get their business before they've settled in with another brand.

PETER JENNINGS

RJ Reynolds became increasingly successful, am I right?

DIANE BURROWS

Yes.

PETER JENNINGS

You were a significant factor in that. What did you do?

DIANE BURROWS

Well. I worked on it. I spent a couple of years studying and trying to communicate to the company what I could learn about younger adult smokers, why Reynolds brands were not as appealing to them as other brands on the market, what kinds of things might make Reynolds brands more interesting to those younger adult smokers. Two years of work is a lot of work. One of the things we did was again

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looking back in history, what are the kind of themes, what kind of marketing has built successful brands or led to their downfall. And the theme that emerges is the brand that succeeds is the one that's better in tune with the times and the attitudes of those younger adult smokers in a given point in time.

PETER JENNINGS

Why was Marlboro doing so much better than RJ Reynolds products?

DIANE BURROWS

Started in the 60s. Again, in tune with the times, out of touch with the times is the theme.

PETER JENNINGS

Was it the Marlboro man that made the difference?

DIANE BURROWS

Originally I think it was. If I could remember the 60s I guess you can too. The 60s we essentially had a war between the generations. You can't trust anybody over 30. I mean, there were riots in the streets. That was the 60s. Those younger adults were out to change the

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world. They were going to make everything different. OK, it was them against the world and that's exactly the kind of image, attitude if you will, that that cowboy campaign represented. One long cowboy, serious, unsmiling, out there to conquer the prairies and that fit with the attitudes that younger adults had in those days.

PETER JENNINGS

So...

DIANE BURROWS

Winston on the other hand, was still..

PETER JENNINGS

Sorry.

DIANE BURROWS

...doing ads with happy pony tails and crew cuts and let me tell you, there was nothing that the younger adults of the 60s were more out of tune with than happy pony tails and crew cuts so Marlboro took over from Winston.

PETER JENNINGS

So, you tried to go from one cowboy to one camel. How did you do it?

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DIANE BURROWS

Well, again, it's the same theme. What was in tune with the times, and we were doing this work in the 80s. And you talk to younger adult smokers, you look at what other companies are doing and other categories, you know, beer, liquor, cosmetics, not cigarettes, because the temptation in cigarettes is to kind of copy what seems successful. But that really never works. So there was a small group of us who were assigned for about 6 months to talk to younger adult smokers, see if we could find out what was different about the way they thought about life than the ones that felt Marlboro. Was there anything different? What did the company do?

PETER JENNINGS

What did you find out from the young smokers?

DIANE BURROWS

Well, the first thing they told us was they were not out to change the world. The world was too big for that group of younger adults and they knew they'd never do it. The main

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thing that was on their mind when we asked them, for example, how do you consider yourself different from past generations, was they thought past generations had made kind of a big mistake, that they'd let themselves fall into a rut, that you get to a point where every morning you get up, you go to work, you go home, you watch TV, you fall asleep in the chair, you get up the next morning and go to work and it's over and over and over and it's boring. It's no fun. And they said, OK, I know I'm going to have to work all my life but I want to keep a little fun, a little excitement in my life. I don't want to just get into this dull, boring rut.

PETER JENNINGS

How did Joe Camel emerge out of all this?

DIANE BURROWS

Well, Joe Camel is not in a rut. He's fun, he's exciting. Yeah, you suppose he goes to work but he also shoots pool, plays darts, plays cards. He's got friends. He's not this loner cowboy out there, all by himself against the world. He's got a few friends that he's

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interested in, that he likes. It's a lifestyle, if you will, and he..

PETER JENNINGS

And how did he come into, how did Joe Camel come into being?

DIANE BURROWS

Well, it was a whole series of things. The work, talking about what do younger adult smokers think, what would interest them, was kind of group work. The actual campaign itself took a whole nother evolution, OK. How do we make a picture, campaign that communicates this to people? One of the things that happened was we had a very bright, young brand manager on Camel on that time who really got the message, about, we've got to do something to support our brands among younger adult smokers and here are the kinds of things we could do that would be interesting. And she took several elements that had been around. One was the French Camel, where in France, they had had a kind of goofy looking camel, like bursting through a pack, as if it was in a circus through a hoop. And that, that

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wouldn't have sold over here but they took that and Americanized it and turned it into really, a person, a kind of Joe every man smoker, where that goofy camel face became Joe's face. And the camel's always been Joe, Peter.

PETER JENNINGS

What sort of future do you think RJ Reynolds would have had if Joe Camel had not been developed?

DIANE BURROWS

Well, it certainly would have made it a lot harder to gain business or to hold business, with switching. It's an uphill battle. Again, what's somebody's settled in with a brand and they're satisfied, it's an uphill battle to get them to change.

PETER JENNINGS

And what happens to RJ Reynolds if you don't get these young smokers you're referring to?

DIANE BURROWS

Business declines. Unless you can come up with a breakthrough every year, some, you

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know, big innovation that gets a lot of smokers to switch to your brands from their brands they're perfectly happy with. That's a lot of work. That's a lot of innovation.

PETER JENNINGS

Is it fair to say that Joe Camel made a significant difference to the tobacco competition?

DIANE BURROWS

You mean, to Marlboro?

PETER JENNINGS

Umm.

DIANE BURROWS

Well, I don't think Marlboro's having any problems but it certainly made a difference to Reynolds' business because this gives Reynolds a success to build on and something in the company's stable, that has a positive momentum. And every company needs that. You can't fight from a downhill position all the time.

PETER JENNINGS

I think part of what you've been telling me, has it been the result of some of your

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marketing studies? Am I correct?

DIANE BURROWS

Yes. All of these were marketing studies.

PETER JENNINGS

This is all the result of marketing studies.

DIANE BURROWS

Uh-huh.

PETER JENNINGS

What else did you find in those studies that led you to develop this campaign? Or should I say, put it another way, is there anything else, is there anything we've missed in terms of development of this particular campaign?

DIANE BURROWS

Well, there are a lot of attributes, if you will, where you try to refine the fit between what the Camel advertising communicates to smokers and, you know, what you communicated last year. You always try to refine and improve. So there's lot of descriptors and tweaks, but I think the essence of Joe is to be a smoker in today's world and to get that reaction from smokers, hey, they're talking to me, by illustrating a

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lifestyle that smokers relate to.

PETER JENNINGS

So, if I had to tell you, correctly, this Joe Camel who's cool and hip and has a good time and a colorful time in life, and smokes, is meant to be appealing to others, correct?

DIANE BURROWS

To others?

PETER JENNINGS

Yeah, to people who don't smoke or people who do smoke?

DIANE BURROWS

Absolutely to smokers. Let me tell you the worst thing you can do with an advertisement, the worst insult an ad can get is you take an ad out to smokers and they say, uh-uhn, that looks like a non smoker ad.

PETER JENNINGS

Now that's interesting. What does that mean?

DIANE BURROWS

What it means is if I show a corporate executive in a pinstriped suit smoking a Camel, they're going to uh-uhn, that guy

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doesn't smoke and he sure doesn't smoke Camel. You're putting me on here. This is a bunch of baloney and they resent that. You have to be honest with smokers. These are honest, hard working people. We're, I'm a smoker and we're not some group of outcasts or maybe we are but we don't deserve to be.

PETER JENNINGS

That's not what I'm driving at. I'm driving a little bit at whether, whether Joe, is Joe Camel a campaign designed to attract people who are already smoking or to attract people to smoke your brand?

DIANE BURROWS

Smokers only. Not to attract people to smoke.

PETER JENNINGS

Well how do you attract young people to smoke in the first place?

DIANE BURROWS

You don't. People make that decision on their own. It's part of a whole lifestyle decision. I've seen study after study, not Reynolds studies, government studies, outside studies, and every one of them says advertising doesn't

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influence that decision. It's part of your lifestyle choice. Who influence your lifestyle? Your peers, your friends, your family, the people who you care about and your experiences in life. It isn't advertising and let me tell you, it's hard enough to make an ad that gets smokers interested in smoking Camel, much less non smokers. It isn't possible. It doesn't happen.

PETER JENNINGS

Why specifically were you targeting 18 to 24? That's what you're, RJ Reynolds always says we're targeting very specifically 18 to 24.

DIANE BURROWS

Well, I think nowadays it's 21 and over, but in the days I was working on this it was 18 to 24 and the reason is this dynamic where you have to interest smokers before they settle in to a brand. If they settle, if they've been smoking Marlboro for 20 years, they're not going to be interested in what any other brand has to say.

PETER JENNINGS

But how, what in your studies, or what in

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your research leads you to target smokers 18 to 24? Why not 19 to 23 or 17 to 26?

DIANE BURROWS

Well, it's not 17 to anything because legal smoking age is 18 by, I think, every state's law. Why not 19 to something? Actually, I suppose the history of it is you buy data from people and that's a standard age break. 18 to 24. It's also one that makes sense. That's when people switch brands the most. That's when they kind of decide what brand to settle in with. And so that's where you have the opportunity to influence their brand choice.

PETER JENNINGS

And when you were doing this, you...

DIANE BURROWS

Could I say...

PETER JENNINGS

Sure.

DIANE BURROWS

18 to 29, sure.

PETER JENNINGS

But you don't really want them at 29. You want them as young as you can get them or as

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young, do you want to get smokers as young as possible?

DIANE BURROWS

That, no, is the literal answer to that. The point is to approach smokers with your brand before they're entrenched with another brand. Now it depends on the individual when that happens. Some people I suppose are already entrenched with a brand at 18. Some at 30 still haven't really found what a smoker would call my brand.

PETER JENNINGS

I'm trying to get at the business dimension of this. What do the studies tell you, if they tell you, how old kids are when they usually start smoking?

DIANE BURROWS

No studies I did tell you that. Government studies do.

PETER JENNINGS

What do the government studies say?

DIANE BURROWS

The government studies say approximately two thirds start before age 18, the last one I

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saw.

PETER JENNINGS

So from a business point of view why are you waiting until kids are 18 before you're pressing them to smoke your brand rather than somebody else's, if it's so important to get them before they get settled in on another brand?

DIANE BURROWS

Why did Reynolds not do that? That's their policy. That's their belief. They don't believe that teenagers should decide to smoke or be influenced in that decision.

PETER JENNINGS

But that's not a very good business decision, is it?

DIANE BURROWS

Not all business is cold hard logic. Business people are people too. Reynolds believes kids shouldn't smoke and they've been very iron clad in that as a policy, as a principle, and as a belief. Reynolds does not talk to smokers under 18, these days under 21.

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PETER JENNINGS

And was that always a live concern in both your research and in your development of the young smoker program and then in the development of the advertising, was it always a live concern?

DIANE BURROWS

Absolutely.

PETER JENNINGS

That you were not going to appeal to kids under 18.

DIANE BURROWS

We were not going to talk to anybody under 18. The only discussion of people under 18 is we're not going to discuss people under 18. That's the company policy. That's it's belief. That's a principle. Is a 17 year old that different from a 21 year old? That I don't know. I don't know how I'd draw an iron curtain at 18 and say, well I can't go out to 17 year old and say, gee, let's make sure you don't like this ad. That's, that would be turning it around backwards. I can't do that.

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PETER JENNINGS

The suspicion is always the other way around. The suspicion among the industry's critics is that in the industry you turn a blind eye to those under 18. My question to you was do you believe that throughout RJ Reynolds there was an absolute constant notion that you would not appeal to anybody under 18?

DIANE BURROWS

Yes.

PETER JENNINGS

OK, let's change.

(END TAPE 1)

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BEGIN TAPE 2.

DIANE BURROWS

Well, just from, I mean, it was kind of rapid fire but the drift I got was you're asking questions more or less to the point of did we go research that those don't appeal to kids. Who could we do that?

PETER JENNINGS

No, I didn't ask that.

DIANE BURROWS

Well, what was it, maybe I missed something.

PETER JENNINGS

My question on that, what...

DIANE BURROWS

I mean, I, hmm?

PETER JENNINGS

Tell me what you think your concern is.

DIANE BURROWS

Well I was, I wasn't real sure what you were asking when you said something about, what did you say, dead zone? I don't know.

PETER JENNINGS

Dead zone? Never used a word like that.

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DIANE BURROWS

Well, what word was it? Well, maybe I'm...

PETER JENNINGS

I'm not quite sure what you're referring to, though.

DIANE BURROWS

You're saying this is on film?

PETER JENNINGS

Yeah, but that's all right.

DIANE BURROWS

OK, we're just talking.

PETER JENNINGS

Sure.

DIANE BURROWS

There was something you were asking about did Reynolds do anything to ensure it wouldn't appeal under 18.

PETER JENNINGS

No. I asked you, I'll tell you exactly what I asked you. I asked you, I asked you why you targeted what you call young adult smokers between 18 and 24, why not 17 to 23? Why not 16 to 21? Why not 19 to 25?

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DIANE BURROWS

OK, and then there was something after that, right?

PETER JENNINGS

Then I asked you, did you know how old kids are when they start smoking. At least, they may have been in that order. And what I'm trying to understand is, because you helped put together the marketing, business scheme for that, if kids, if kids start to smoke younger and the first usual brand for a young adult smoker is important...

DIANE BURROWS

Um hm.

PETER JENNINGS

Why wait until they're 18, and you told me it was Reynolds policy.

DIANE BURROWS

Right, it is.

PETER JENNINGS

That's what you said.

DIANE BURROWS

Right.

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PETER JENNINGS

You happy with that? Do you want to say it again?

DIANE BURROWS

Well, that's certainly the point. OK, it was just something confusing about insuring it doesn't appeal under 18 and I wasn't sure how ...

PETER JENNINGS

Oh, I get you, all right, yeah, how, well, I'll ask you that...

DIANE BURROWS

...anyone could insure.

PETER JENNINGS

How can you insure that the Joe Camel program for example didn't appeal to people under 18?

DIANE BURROWS

Well, you really can't insure that kind of thing unless you're going to go out and do research and say, do you hate this ad. And Reynolds doesn't do research on anyone under 18, these days 21. So you can't guarantee that. In fact Joe Camel appeals to all kind of age groups. I remember going to focus groups

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with Camel regular smokers, the non filtered Camels, and these were mostly 40 and over. Their complaint was, hey, we love the Joe campaign, but how come he's always smoking those filters. So it's not that narrowly targeted a campaign. It's a smoker campaign. It's not just 18 to 24.

PETER JENNINGS

What does fubyas actually mean?

DIANE BURROWS

It was an acronym. It meant first usual brand, young adult smoker.

PETER JENNINGS

And what does that mean in terms of a policy or a philosophy?

DIANE BURROWS

The intention was to try to make it clear that we weren't talking about people who were starting to smoke, deciding whether to smoke or not. But about smokers who were in the process of really adopting or settling in with a certain brain which is what most smokers do. That process can take years.

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PETER JENNINGS

Can it really?

DIANE BURROWS

Yes.

PETER JENNINGS

Cause I came across some kids in Minneapolis a couple of weeks ago and talked to them all about their, they were all smoking Marlboro, universally smoking Marlboro, so kids can settle in, kids, young adults, what do you prefer to call them, young adults?

DIANE BURROWS

The only people I ever studied or marketed to were younger adult smokers.

PETER JENNINGS

And, all right, I'll leave that for a second. What kind of kids are you, well, let me ask you before that, why Camel? Why did you choose Camel to push?

DIANE BURROWS

That wasn't my personal choice. The work we did did suggest Camel which, I think, was kind of a surprise to the company at that time. They probably hoped Winston was an

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interesting brand to that age group but the fact is Winston was not very interesting in that day and age and Camel was kind of interesting. It wasn't a brand they smoked but they thought of Camel as a good brand. It's been around forever. You've got to be a good cigarette to stay in the marketplace that long.

PETER JENNINGS

What was Camels' image at the time?

DIANE BURROWS

Old. Male. Probably a strong cigarette. That was the kind, all the younger adults really knew but they knew the packaging was kind of interesting and that people for years, and somehow these things drift through the generations, had known Camel is a high quality cigarette. Real tobacco taste. Those are positives.

PETER JENNINGS

And what made you think that younger people would find Camel appealing if it's image had always been of an older cigarette?

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DIANE BURROWS

Well, it had a quality heritage and that's something to go on. Cigarettes are not all advertising, you know. Product does count and smokers prefer a certain taste in their product. Camel, they believed, was a high quality cigarette, probably tasted good. In fact they talked about it, real cigarette connoisseurs.

PETER JENNINGS

But this is what I don't understand. If, if you're trying to attract young people to smoke your cigarette and Camel has a reputation...

DIANE BURROWS

Young smokers.

PETER JENNINGS

All right, young smokers, and Camel has a high quality reputation, why don't they smoke it?

DIANE BURROWS

Because it wasn't for them. It never occurred to them that they could choose Camel as a brand. A lot of younger adult smokers and older smokers didn't even realize there were

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filtered Camels in the market at that point in time. Camel was a small brand. Well, it still isn't a huge brand, but it was small and all they knew was really the history. You know, my grandfather told me, you know, there's nothing like a Camel. I'd walk a mile for a Camel, that kind of thing.

PETER JENNINGS

What kind of kids did you find that, that Camel appealed to when you really got the Joe Camel campaign going?

DIANE BURROWS

Never talked to kids, Peter.

PETER JENNINGS

Sorry. Is an 18 year old not a kid?

DIANE BURROWS

That's a matter of perspective. Most 18 year old don't think so.

PETER JENNINGS

OK, fine, fine, I don't meant to, I'm not having an argument with you about whether you and I are talking about two different things.

DIANE BURROWS

Yeah, I think...

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PETER JENNINGS

When you, when you got the Joe Camel campaign going, I'm older than you so an 18 year old is a kid to me...

DIANE BURROWS

When the company did.

PETER JENNINGS

When the Joe Camel campaign got going what kind of young people were you appealing to?

DIANE BURROWS

Mainstream younger adult smokers.

PETER JENNINGS

What does that mean?

DIANE BURROWS

What does it mean?

PETER JENNINGS

Hmmm.

DIANE BURROWS

How do you describe people? I've talked to you about the kind of lifestyle that they feel is their lifestyle, most of them. Of course every individual's different. These are hard working people. They expect to work all their life. They just want a little fun, some friends.

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PETER JENNINGS

But when you were targeting what you describe as the 18 to 24 year old group what kind of young person were you trying to attract to your cigarette? You told our researchers, for example, that you'd categorize them into group, should I remind you?

DIANE BURROWS

Sure.

PETER JENNINGS

Rock and rollers, goody goodies.

DIANE BURROWS

Oh. Well, in talking about this we used some really informal approaches to try to break everybody out of the corporate mold. OK. And so we used statements like preps don't smoke. OK, this is similar to the..

PETER JENNINGS

Preppie?

DIANE BURROWS

Yeah, preppie. Yuppies don't smoke. Everybody knows that. So, yeah, rock and rollers, the kind of music they prefer is more

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likely country or rock and roll, probably not so much the symphony. They work blue collar jobs, a lot of them, working people. That vast middle class that the government's continually trying to find. A lot of them go to college but they're not necessarily out for a Ph.D. They have a lot of these family values, if you will.

PETER JENNINGS

And you were able, in your marketing, if I use the correct phrase, to target that particular group of people and ignore others?

DIANE BURROWS

Well, Peter, I don't know how to answer that because I don't know what you mean by ignore. When you...

PETER JENNINGS

Well, I suppose if I'm selling Italian shoes, there's probably some people I think, wear Italian shoes and some don't.

DIANE BURROWS

Right.

PETER JENNINGS

So I assume I'm going to concentrate on those

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people who I think wear Italian shoes.

DIANE BURROWS

Right.

PETER JENNINGS

I'm trying to understand the marketing strategy for Joe Camel.

DIANE BURROWS

Well, you're trying to understand how the prospect group was identified, and I've been trying to explain that we went out and talked to younger adult smokers, 18 to 24, in developing this whole theory, if you will, and the ground work for the marketing, and in that we found a number of common themes, of how they thought they were different from other generations, the kind of values that they held. Not every individual, but the large mass of those 18 to 24 year old smokers shared a lot of these common ideas. They didn't want to fall into that dull boring rut kind of a lifestyle that they thought other generations had fallen into and that's what Joe Camel could bring to the party. That life isn't all dull, boring work. That there is some fun, there's,

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it's OK to wink at life sometimes. You can hang out with your buddies and still be a good citizen.

PETER JENNINGS

Do you think it is reasonable for people to accuse the cigarette companies for hypocrisy, when they say that they never target anybody below 18?

DIANE BURROWS

I've never seen it done.

PETER JENNINGS

Do you think it is reasonable or unreasonable for people to believe that the cigarette companies, if they need new smokers, can't ignore young people below 18?

DIANE BURROWS

The company's brands need smokers. The industry's been declining in total since about 1980. That doesn't mean every company has to decline, witness Phillip Morris. The issue is brand competition. Declining business is mature industry, is what you'd call it in marketing. And the competition there is for market shares and the company that is

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successful in gaining market share and on whatever size market it is, is a successful company.

PETER JENNINGS

But for some reason you seem reluctant to answer what I think is a fairly basic question.

DIANE BURROWS

I don't think I'm reluctant so try...

PETER JENNINGS

Well, I must be asking very badly. You know and I know that children very often start smoking younger than 18.

DIANE BURROWS

Um hm.

PETER JENNINGS

The government statistics suggest that. Common sense suggests that to people who look at young people.

DIANE BURROWS

Um hm.

PETER JENNINGS

And if you're interested in attracting new smokers, and you must be in the tobacco business because old smokers, I've seen them

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die at some point...

DIANE BURROWS

Yes, they do.

PETER JENNINGS

How can you ignore people who are, ignore them, younger than 18?

DIANE BURROWS

How can we? We do. Reynolds does. I did. I'm sorry, I'm just not...

PETER JENNINGS

My question to you, sorry...

DIANE BURROWS

I don't, it's a conundrum to me.

PETER JENNINGS

Well, it, you're in a business...

DIANE BURROWS

Um hm..

PETER JENNINGS

You know that someone is being attracted to your product at 13, 14, 15, 16, 17, 18. Would you accept that?

DIANE BURROWS

I don't know what you mean by being attracted. People decide to smoke, OK, at a

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variety of ages which according to the government and, you know, my experience in life, many of those are below 18. I don't think it's attracted in the sense that the cigarette companies are out to get those people to choose to smoke. Frankly, I don't think the cigarette companies could do anything about that if they tried. And I've never seen them try.

PETER JENNINGS

My question is simply I think trying to deal with reality. If you know that people younger than 18 are going to smoke cigarettes and if you know that the first usual brand of a young adult smoker is important to them..

DIANE BURROWS

Um hm.

PETER JENNINGS

You developed the program.

DIANE BURROWS

Yes.

PETER JENNI

Why don't you go after, from a
of view, 13, 14, 15, 16, 17 year

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because they may get stuck on another brand before you can get to them?

DIANE BURROWS

People don't settle in a lifestyle and similarly, not into a brand until much later in life than that. When did you settle in that what you were going to be is a correspondent or an anchor man? When did I settle in I was going to be a marketer? I was 35.

PETER JENNINGS

But your whole program, fubyas, first usual brand young adult smoker, is based on the premise that at, what you tell me is age 18, people are settling on a brand of cigarette which they will stay with for life and you want them.

DIANE BURROWS

That may be 18. It may be 24.

PETER JENNINGS

Never 17?

DIANE BURROWS

It may be 17 but being responsible people as well as business people, the policy and the belief is 18 is responsible business and

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responsible citizens.

PETER JENNINGS

OK, that's what I just want to establish. From your point of view, at RJ Reynolds, it is more important to take the responsible position...

DIANE BURROWS

Yes.

PETER JENNINGS

And lose all of the potential business of smokers who are under 18?

DIANE BURROWS

I don't know what happens to that business, as you call it. What I do know is people are still making a lot of life decisions between 18 and 24, 18 and 29. 18 and 52. Because I'm still making decisions. So these people are, whenever they started to smoke and I don't know, they're not entrenched with a brand at 18, at 21 or 24, the same way a person would be at 40 who never smoked anything but Camel or Marlboro. That was the point. It isn't the first brand they ever purchased, OK. The first brand they ever smoked two packs in a row doesn't make something your usual

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brand. I hear that when kids smoke, they tend to smoke whatever brand their friends have. That's not their choice, OK. That's the brand at hand. People do make a choice of brands and the responsible position is when they are adult, to seek their business, for those smokers to choose your company's brands.

PETER JENNINGS

Let me pick up on something you've just said, so that I understand you clearly. You said kids, young people, you actually said kids, tend to smoke..

DIANE BURROWS

There are kids.

PETER JENNINGS

Sorry. You said that kids, or young people, I'll take either one here, often decide to smoke based on the brand their friends smoke.

DIANE BURROWS

That's, that's what I hear.

PETER JENNINGS

Common sense suggests to me this brings in to play the advertising campaign, in a very

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powerful way. How can you be utterly sure that no one in your company thought Joe Camel would appeal to people younger than 18 years old, cause that's another of the criticisms, as you know, which is leveled against you very vigorously.

DIANE BURROWS

This is the question that kind of mystified me before, Peter.

PETER JENNINGS

OK, have I made it more, have I made it clearer now?

DIANE BURROWS

Not really.

PETER JENNINGS

OK.

DIANE BURROWS

And I apologize-- again.

PETER JENNINGS

It's all right, no, it may just simply be my failure, let me just, a great many people believe that it is hypocritical for the tobacco companies but RJ Reynolds particularly to try to convince the rest of the world that Joe

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Camel is in some way not designed for people under 18 as well as over 18. Do you think they have a point at all?

DIANE BURROWS

It was not designed for anyone under 18. I was there when the idea was first seeded. And it was 18 and over. Why not 35 to 49?

Because the company's business was doing just fine among 35 to 49, thank you. Where the company didn't have enough business was 18 to 24.

PETER JENNINGS

Why do you think so many people out here have the notion that even though the tobacco companies, RJR, let me rephrase that, why do you think so many people out here have the notion that RJ Reynolds knew that Joe Camel would appeal to people under 18?

DIANE BURROWS

I suppose they think everything in tobacco is a devious plot.

PETER JENNINGS

And that's, there's nothing to that at all.

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DIANE BURROWS

To that?

PETER JENNINGS

Umm.

DIANE BURROWS

There are no devious plots. There were no plans to attract anyone under 18. No plans, no intention of influencing anyone's decision to smoke or not smoke.

PETER JENNINGS

OK.

DIANE BURROWS

The entire point was that Reynolds as a company needed more legal younger adult smokers to choose their brand. Camel happened to be the brand that was a little bit interesting and that had a smart brand manager who could talk to an agency and come up with a campaign that interested these people. That's how it happened.

PETER JENNINGS

Now you know I'm bound to ask you only one personal question, only. You smoke.

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DIANE BURROWS

Yes.

PETER JENNINGS

You know it can kill you.

DIANE BURROWS

That's what the surgeon general said.

PETER JENNINGS

Why do you smoke?

DIANE BURROWS

Why do I smoke? Because I enjoy it. What do I think about health? Is that your question?

PETER JENNINGS

You just asked it.

DIANE BURROWS

For me, as a smoker, the whole point of health is to be able to enjoy life. If I have to give up everything I enjoy for health, then I think I've lost the whole point of it. It's my choice. I smoke. That's what I want to do.

PETER JENNINGS

Do you think we could generally be more vigorous in trying to dissuade young people to smoke?

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DIANE BURROWS

We, meaning the government?

PETER JENNINGS

I guess everybody: The industry, the government.

DIANE BURROWS

Well, obviously the government can be more vigorous in anything it chooses so certainly the literal answer is they could do it. I don't think it would make any difference. Fewer younger adults choose to smoke today than did 5 years ago, 10 or 20. The incidence, it's called, of smoking among younger adults has been declining since the 60s. It's going to continue to decline. That's a fact and it influences the size of the cigarette business. It doesn't mean that company's can't be effective marketers, in getting whatever number of smokers there are to choose their brands.

PETER JENNINGS

But if the base is going to decline, namely the base of young smokers is going to decline, isn't it ever more important for tobacco

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companies to be sure that they have the younger smoker?

DIANE BURROWS

No. Not really. It's really about market share. I mean, what tobacco stocks sell at higher prices if smoking was the in thing and everything was adopting it? Well, probably so. But not all business grow forever. That's the way it is. Tobacco is a *mature* category. Nobody expects it to grow, nobody's working to make it grow.

PETER JENNINGS

But is it true to say that RJ Reynolds needs replacement smokers at the young end every year to replace the smokers at the old end who die?

DIANE BURROWS

Certainly, to hold share. What's your point?

PETER JENNINGS

No point, just a question.

DIANE BURROWS

There are plenty of them out there, let me take a guess, an educated guess, that Reynolds has maybe a 15 or 20% share among smokers 18

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to 24. We have a big competitor who has, let me guess, 75%. There's plenty of business for Reynolds to compete for in 18 to 24 without worrying about how many start to smoke or don't start to smoke. There's plenty of business out there to be gained.

PETER JENNINGS

OK.

DIANE BURROWS

Legitimate smoker business.

PETER JENNINGS

Anything else you want to talk about, add, say, clarify? We've covered the program. We've covered your development program. We've covered your role in the program. We've covered why you did it.

DIANE BURROWS

Are you satisfied?

PETER JENNINGS

I'm probably not the one who's going to judge here. All right let's cut this.

END OF TAPE 2.

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TAPE 3.

DIANE BURROWS

Well, so I'm wimp, I mean. I don't see this.

PETER JENNINGS

Ever. I mean, I've never been called that, ever.

[OFF CAMERA COMMENTS]

PETER JENNINGS

You take me at your leisure from why you felt the need to develop the fubyas program, what it is, what it meant and where it took your company.

DIANE BURROWS

Tell you the story?

PETER JENNINGS

If you wouldn't mind.

DIANE BURROWS

I'll be glad to. Fubyas stands for first usual brand younger adult smoker. That was a language that was used to make it plain we were talking about smokers Not people who were deciding to smoke or creating new smokers but existing smokers. First usual brand, it was really just a convenient phrase. The point was smokers who are not

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entrenched, settled in, life long committed to one brand or another, which many smokers do. The points I wanted to make in the first phase of that so called fubyas work, there were really two. One was that Reynolds brands were not performing well among smokers 18 to 24 and they allowed this situation to continue ultimately their whole business would dwindle, because 18 to 24 this year this 18 to 25 next year, and so forth. And ultimately if you don't interest those smokers, you're falling out of touch with the times. We used history to demonstrate over and over that strength among the younger adult smoker group, and it really isn't critical whether you say 18 to 24 or 19 to 25. 18 to 24 is legal and it's convenient. It fits with a lot of data sources so that's what we talked about. We looked at history. We looked at how brands are in touch with the times or out of touch with the times. How did Marlboro take over from Winston and other brands through history? Clear back to 1925. And you could demonstrate over and over the simple aging

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dynamic means that todays market is built of smokers who were once 18 or 24 and now we're all 50 something. The whole market builds that way. You have to have corporate strength in the 18 to 24, however you want to define younger adult smoker group to have long term business success. That was the key educational point, if you will, for RJ Reynolds. They'd been focusing on short term switching, a big idea every year. And they're pretty good at it. But it's an uphill battle.

PETER JENNINGS

Were they impressed when you took this notion to them?

DIANE BURROWS

They were, they were very impressed, yes. I think they were. That's a good word for it. Kind of worried.

PETER JENNINGS

Because?

DIANE BURROWS

Because it suggested that they really had to change the way they were doing their marketing for long term success.

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PETER JENNINGS

Why do you think RJ Reynolds settled on a cartoon character?

DIANE BURROWS

I don't think of Joe Camel as a cartoon.

PETER JENNINGS

Oh, really?

DIANE BURROWS

No. I think of Joe Camel as a person, a person who exhibits a certain way of looking at life, a certain way, a lifestyle, if you will and the benefit of a camel is one, it's kind of fun. And there's nothing wrong with advertising that's a little bit fun. It doesn't all have to be dull and boring. And another plus to having an illustrated character is is Joe's 25 or is he 50? Is he short, is he tall? Is he blonde? If you have people in advertising you can get all caught up in what are they wearing? How do they look, you know? Have they got the latest styles and you lose the underlying message of we're for people who are interested in this kind of lifestyle. And smoking is part of that lifestyle and Camel wants to be part of that

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lifestyle too. That's being relevant, and a relevant brand is more likely to be purchased by a smoker next time they go in the store.

PETER JENNINGS

Now just clarify for me cause I'm not sure I understand this from your point of view.

DIANE BURROWS

I'll try.

PETER JENNINGS

How do you think young people are attracted to smoking? Let's start that for a second, how do you think young people are attracted to smoking in the first place?

DIANE BURROWS

I'm really not an expert on that, Peter. I can tell you what I've seen in my life. I could tell you what I've read in government studies. It isn't a marketing issue. It isn't anything I ever studied at RJ Reynolds. Do you want me to tell you what my general understanding is?

PETER JENNINGS

It's up to you. Yes, I would.

DIANE BURROWS

My general understanding from government

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studies is that smoking is kind of part of a lifestyle choice. It's usually influenced by do my friends smoke, does my family smoke? And by what are my aspirations? Like if I want to be an MD I probably will choose to not smoke. If I want to climb the corporate ladder to the executive board room these days I'll probably choose to not smoke, because a lot of executive board rooms are not very friendly to smokers.

PETER JENNINGS

Why are you not going to smoke if you want to become a doctor?

DIANE BURROWS

Because doctors focus on health.

PETER JENNINGS

Continue.

DIANE BURROWS

Do you mean do I think cigarettes are good for you? No.

PETER JENNINGS

I didn't ask you that. I didn't ask you that. I didn't ask you that question. I just, I asked you, I'll ask it again. Well, you've answered

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part of it. How do you think people are first attracted to smoking? Now as someone who developed...

DIANE BURROWS

You understand that's not my expertise.

PETER JENNINGS

I understand that. I accept that.

DIANE BURROWS

How do you think they're attracted to smoking?

PETER JENNINGS

Often by their peers, but what I don't understand and I really genuinely don't understand this...

DIANE BURROWS

OK.

PETER JENNINGS

You think I'm after you but the truth of the matter is I just genuinely don't understand...

DIANE BURROWS

Well, I'll try.

PETER JENNINGS

Is when you develop a program or a campaign like Joe Camel...

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DIANE BURROWS

Well, I was the ground work. The campaign was marketing but, yes, when...

PETER JENNINGS

Why do you believe it will appeal to only smokers and not to non smokers? I just don't get that.

DIANE BURROWS

Because there's a, the things you can do in your market is you can recognize that smokers and non smokers have a number of differences in their lifestyles and attitudes. And focus on smoker attitudes.

PETER JENNINGS

Are you telling me that it was absolutely essential or even critical for RJ Reynolds to attract smokers to Camel?

DIANE BURROWS

Absolutely. Well, to any brand we could but Camel is the one that turned out to be viable.

PETER JENNINGS

What would RJ Reynolds do about attracting those people who might have started smoking and gone in another direction? What I don't

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understand is why you don't, if you know...

DIANE BURROWS

Gone in another direction.

PETER JENNINGS

...people are going to start smoking young, if you believe the government studies, that people are going to start smoking younger than 18, why don't you go after them before some other brand gets them? You yourself have said this is an industry in trouble.

DIANE BURROWS

Because it isn't responsible.

PETER JENNINGS

OK. You understand, you've said that clearly, you're happy to have said that as clearly as you did?

DIANE BURROWS

It's, I know you think I'm trying to be defensive...

PETER JENNINGS

No, I'm not...

DIANE BURROWS

But it's a mystifying kind of a question to me. Why not go after kids is what you're saying.

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PETER JENNINGS

If you know, let me try this once more, then we'll let each other off the hook here.

DIANE BURROWS

I'm really trying, Peter.

PETER JENNINGS

No, no, I know you're trying and I'm very grateful for your time. Please don't misunderstand me. You're in a business.

DIANE BURROWS

Um hm.

PETER JENNINGS

It is important to your business to have new smokers, young smokers every year because old smokers die. If you know people are going to start smoking at a certain stage in their life and there's a risk they may smoke somebody else's cigarettes, why not go after them, if they're 15 or 16 or 17, from a business point of view?

DIANE BURROWS

It is, it would not be responsible. For 20 or 30 now, there have been a number of restrictions placed voluntarily or involuntarily on cigarette

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marketing. It behooves the company to abide by those restrictions. If you go against those restrictions then you end up in positions like FDA regulations. Reynolds...

PETER JENNINGS

Do you think they...

DIANE BURROWS

...abides by the restrictions. It abides by the policies it announces and as far as I know the other companies do too.

PETER JENNINGS

OK. You're happy?

DIANE BURROWS

I have one comment on the FDA proposals to ban Joe Camel, restrict advertising in a variety of ways. My opinion is it would have absolutely no effect on whether or not young people decide to smoke. I expect fewer will decide to smoke, will choose to smoke over the years, irrespective of that action. What it will do is affect the brands. What those restrictions would do would make it really tough for Camel, for any other brand to compete with Marlboro, for example.

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PETER JENNINGS

It sounds a little bit like you're saying you're opposed to FDA or government regulation because you think it'll affect your brand and benefit the other guy.

DIANE BURROWS

I'm sure their intent, their stated intent is to make it somehow be more aggressive in preventing youth from smoking. That's their stated intent. I don't think there will be any impact on those choices at all. OK. With advertising regulation or without it. What it will do is affect the brand's ability to compete with each other to be the chosen brand of people who do smoke. If you yank away Camel's campaign, do you think that won't affect its business.

PETER JENNINGS

What do you think?

DIANE BURROWS

I think it will.

PETER JENNINGS

Again, it seems, you sound a little bit like you're saying that regulation is a threat to

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Camel as opposed to Marlboro.

DIANE BURROWS

Well, isn't it targeted at Camel? Isn't one of them, one of the proposed regulations to ban quote cartoon or illustrated characters? What other cartoon or illustrated characters do you see in cigarette advertising?

PETER JENNINGS

Are you suggesting this is a government plot against RJ Reynolds?

DIANE BURROWS

I don't know about plot but I know the effect is going to be to undercut Reynolds ability to compete. They're pretty smart. They may be able to compete effectively but the government would in effect be disproportionately punishing one company.

PETER JENNINGS

I think one of the reasons you and I, you may have thought that we are wrestling with one another a little bit, is because I think to some extent, I'm reflecting what many Americans believe. That those of you in the tobacco industry insist so publicly that you're not

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interested in young smokers, 18 and younger, when in order to survive as a business you must be.

PETER JENNINGS

That sounds true but it isn't really true. For an industry to continue, certainly people have to be interested in the product. If nobody ever started smoking again, sooner or later, the industry will go out of business. That's true. But for a company, their responsibility is to their shareholders, to build their business, to deliver business results and those business results can be delivered by competing with other brands.

PETER JENNINGS

OK, you content?

DIANE BURROWS

It's the truth.

PETER JENNINGS

OK, I hear what you say. I hear what you say. Thank you all. [OFF CAMERA COMMENTS] END OF TAPE 3.

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